



North Market Square Park

City of Iowa City, Iowa

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012



CITY OF IOWA CITY



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY:

FINANCE DEPARTMENT
CITY OF IOWA CITY, IOWA



CITY OF IOWA CITY, IOWA

TABLE OF CONTENTS

June 30, 2012

Page

INTRODUCTORY SECTION

Table of contents	1
Letter of transmittal	3
City organizational chart.....	12
City officials	13
Certificate of Achievement for Excellence in Financial Reporting.....	14

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	15
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MANAGEMENT’S DISCUSSION AND ANALYSIS	17
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BASIC FINANCIAL STATEMENTS

Government-wide financial statements	
Statement of net assets	28
Statement of activities.....	30
Fund financial statements	
Balance sheet – governmental funds	32
Reconciliation of the balance sheet of the governmental funds to the statement of net assets	34
Statement of revenues, expenditures, and changes in fund balances – governmental funds.....	35
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	37
Statement of net assets – proprietary funds.....	38
Statement of revenues, expenses, and changes in fund net assets – proprietary funds	41
Statement of cash flows – proprietary funds	42
Statement of fiduciary assets and liabilities	44
Notes to financial statements	45

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary comparison schedule – budget and actual – all governmental funds and enterprise funds – budgetary basis.....	90
Budgetary comparison schedule – budget to GAAP reconciliation	92
Note to required supplementary information – budgetary reporting.....	93
Note to required supplementary information - schedule of funding progress for health and dental plans.....	94

COMBINING AND INDIVIDUAL FUND STATEMENTS

Combining balance sheet – nonmajor governmental funds	96
Combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds	97
Combining statement of net assets – nonmajor enterprise funds	100
Combining statement of revenues, expenses, and changes in fund net assets – nonmajor enterprise funds	101
Combining statement of cash flows – nonmajor enterprise funds.....	102
Combining statement of net assets – internal service funds.....	104
Combining statement of revenues, expenses, and changes in fund net assets – internal service funds	105

CITY OF IOWA CITY, IOWA

TABLE OF CONTENTS

June 30, 2012

	<u>Page</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS (continued)	
Combining statement of cash flows – internal service funds.....	106
Statement of changes in assets and liabilities – agency funds	108

STATISTICAL SECTION (UNAUDITED)

Net assets by component	111
Changes in net assets.....	112
Fund balances – governmental funds	114
Changes in fund balances – governmental funds	115
General government tax revenues by source	116
Assessed and taxable value of property.....	117
Property tax rates – direct and overlapping governments	118
Property tax budgets and collections.....	119
Principal taxpayers	120
Principal water system customers	122
Sales history and total water charges	123
Principal sewer system customers.....	124
Sales history and total sewer charges	125
Ratios of outstanding debt by type.....	126
Ratios of general obligation bonded debt to assessed value and net bonded debt per capita	127
Ratio of annual debt service expenditures for general bonded debt to total general governmental expenditures	128
Computation of direct and overlapping debt	129
Legal debt margin information	130
General obligation debt annual maturity schedule.....	131
Schedule of revenue bond coverage.....	132
Revenue debt annual maturity schedule	133
Revenue debt annual maturity by funding source.....	134
Demographic and economic statistics	136
Principal employers.....	137
Full-time equivalent city government employees by function.....	138
Operating indicators by function.....	140
Capital assets by function.....	142

COMPLIANCE SECTION

Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> ..	145
Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.....	147
Schedule of expenditures of federal awards	149
Notes to the schedule of expenditures of federal awards	154
Schedule of findings and questioned costs	155



December 17, 2012

To the Citizens, Honorable Mayor, Members
of the City Council and City Manager
City of Iowa City, Iowa

The Comprehensive Annual Financial Report (CAFR) of the City of Iowa City, Iowa (the City) for the fiscal year ended June 30, 2012 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

This report consists of management's representation concerning the finances of the City of Iowa City. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR reflects all funds of the City in accordance with standards set by the Governmental Accounting Standards Board (GASB). In 1999, GASB adopted Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. The final effective date for the implementation of GASB No. 34 for the City of Iowa City was June 30, 2003. This report complies with those standards. This statement significantly changes governmental financial reporting in order to bring it closer to a private sector model.

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent. The classifications include: nonspendable amounts that are not in spendable form or the City is legally or contractually required to be maintained intact; restricted amounts contain restraint on their use externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation; committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority; assigned amounts

are intended to be used for specific purposes; and the unassigned fund balance is the residual classification for the General Fund.

Chapter 11 of the Code of Iowa requires an annual audit to be performed. The independent public accounting firm of Eide Bailly LLP was selected by the City. In addition to meeting the requirements set forth in Chapter 11, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and related Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

While, the financial statements are the responsibility of the City, the responsibility of the auditor is to express an opinion on the City's financial statements based on their audit. The goal of the independent audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2012 are free of material misstatement. The audit is conducted in accordance with generally accepted auditing standards and involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

As a recipient of federal financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these federal programs. These internal accounting and administrative controls are subject to periodic evaluation by the City's management and the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the schedules of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal accounting and administrative controls and compliance with applicable laws and regulations are included in the compliance section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Iowa City was incorporated April 6, 1853. The City is governed by a seven member Council; each member serves a four-year term. Elections are held every two years allowing for continuation in office of at least three members at each biennial election. The Council members are elected at large, with three members nominated from specific districts and the remaining four members nominated at large. The Council elects the Mayor from its own members for a two-year term.

The City Council is the legislative body and makes all policy determinations for the City through the enactment of ordinances and resolutions. It also adopts a budget to determine how the City will

obtain and spend its funds. The Council appoints members of boards, commissions and committees.

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. The Manager supervises 542 full-time and 66 part-time permanent municipal employees and 454 temporary employees, including a police force of 78 sworn personnel and a fire department of 64 firefighters.

The City Clerk is appointed by the City Council and reports to the Council. The City Clerk's Office administers the City government's documentation, City licenses and permits, and provides information from the Municipal Code and City Ordinances to the public and other City departments. The City Clerk's Office is also responsible for distributing and maintaining accurate records of all City Council proceedings. The Clerk supervises 3 full-time employees and 1 temporary employee.

The City Attorney is also appointed by the City Council and works at the direction of the City Council. The City Attorney supervises the City Attorney's Office, including 4 Assistant City Attorneys and 2 other full-time employees. In addition, the City Attorney acts as Chief Legal Counsel to the City Council, City Manager, the various City departments and staff, and most City commissions, committees and boards.

The City provides a full range of services including police and fire protection, construction and maintenance of roads, streets and infrastructure, inspection and licensing functions, a municipal airport, library, recreational activities, and cultural events. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. The City also operates a transit system.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in October. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review in December. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., Police).

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash balances by fund, debt service obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Appropriations that are not encumbered lapse at the end of the year.

Information Useful in Assessing the Government's Economic Condition

The City's economic strength is based on the educational sector, medical services, and diversified manufacturing. The University of Iowa and the University of Iowa Hospital and Clinics are the City's largest employers with over 30,000 employees. The University of Iowa had a record high enrollment for the fall 2012 semester and continues to add new facilities. The academic and research missions of the University, along with the health care services provided at its hospitals and clinics, have a tremendously positive economic impact on the area.

The City also has a significant number of national and international businesses, including Fortune 500 companies. The City continues to see sustained production in our major local industries; ACT Inc., NCS Pearson, and Proctor & Gamble. While established firms continue to prosper and expand in Iowa City, opportunities are available for growth of new businesses. Continued economic development efforts with the Iowa City and Coralville Chambers of Commerce, private interests, the University of Iowa, other surrounding communities, and participation as a member of the Iowa City Area Development Group, have produced positive results with the retention and expansion of businesses.

In addition, the Iowa's Technology Corridor is a seven-county alliance surrounding Iowa City and has been identified as one of the major growth areas for new business development in the State of Iowa. This Corridor gives employers and workforce access to a region uniquely Iowan, founded with a manufacturing heritage, but actively seeking new frontiers and opportunities in information technology, biotechnology and bioprocessing, renewable energy, and educational services. Continued developments within Iowa City and the region have a favorable impact upon the City's economy.

As a whole, the City's economy continues to grow, but at a slow pace. The major employers have been able to maintain steady employment during the recent recession as evidence in the unemployment rate for Iowa City, which continues to remain low at 3.9% for the month of June 2012, as compared to 5.1% for the State of Iowa, and 8.2% for the national average.

The rate of new housing construction decreased in comparison to the prior year, but the value of the additions increased. This consisted of 80 new single-family houses in 2011, as compared to 108 in 2010; multi-family dwelling units added to the tax rolls for the year ended December 31, 2011 increased to 94, compared to 88 in 2010; and mixed commercial and residential developments added in 2011 included 51 residential units. Altogether these additions totaled \$45,326,000 in 2011, an increase of \$1,369,000 from prior year.

According to the 2010 census, the population of Iowa City is 67,862. This is an increase of 5,672 or 9.1% as compared to the 2000 census.

There are many signs that the City remains healthy and vibrant with great promise for the future. The relative stability of the University of Iowa, coupled with a history of steady employment by the City's multi-sector base of manufacturing and service businesses, have helped insulate the City from any significant negative economic impacts of the recent national recession. The City's property valuations continue to rise and along with the low unemployment rate, continue to be indicative of the City's relative economic stability.

Major Initiatives

The City of Iowa City, with the assistance of the University of Iowa's Institute of Public Affairs, completed the FY12 - FY13 Strategic Plan. The strategic planning process involved multiple steps,

including gathering input from the general public, front line City staff, department directors, and the City Council. The FY12 – FY13 Strategic Plan established the prevailing organizational priorities as the following:

1. Economic and Community Development
2. Development of the Downtown and Near Downtown Areas
3. Neighborhood Stabilization
4. A Strong and Sustainable Financial Foundation
5. Coordinated Communication and Customer Service Orientation

The City Council has indicated a strong desire to promote private investment in established commercial areas and strategic green-field sites that have previously been targeted for new development. The areas that will be focused on in the coming year include the Towncrest commercial area, Sycamore Mall and First Avenue, Highway 6/Highway 1 intersection, 420th Street Industrial Park, and Moss Office and Northgate Corporate Parks.

In the Towncrest commercial area, City staff is working to facilitate redevelopment of several key properties and began work on a streetscape project that will improve the function and aesthetic appeal of the area. The Towncrest Urban Renewal Area was developed to revitalize the Towncrest commercial district in ways that would serve existing businesses while also drawing new retailers, service providers, and consumers to the area. These initial projects are intended to serve as a catalyst for future investment in this business corridor. The costs for Towncrest Renewal are estimated at \$1,200,000 and will be paid with GO bonds.

The pending departure of an anchor tenant at Sycamore Mall presents a great challenge, but also a unique opportunity to reinvent the commercial space. Mall ownership has plans for physical improvements to the property and the City is coordinating four significant capital projects in the area that are expected to last two or more construction seasons. These projects include improvements to Sycamore and Lower Muscatine Roads, a grade separation project on First Avenue, and repaving of Highway 6. These projects, which are underway in different phases, will each have a positive impact on the traffic flows and aesthetics in this commercial district. Total cost for these projects is \$19,997,000 and will be paid with GO bonds, federal and state grants, and road use tax.

The Highway 6/Highway 1 intersection is a viable commercial corridor, in large part because of high traffic counts. Staff will focus efforts in the coming months on municipal public works and transit property in the area. As the City relocates municipal operations from this area, prime development space will become marketable. Staff is working on environmental reviews and preparing a request for proposal for potential development. Total costs for relocating facilities, abatement and land preparation, as well as, aesthetic improvements are estimated to be \$33,031,000 and will be paid with GO bonds and federal grants.

The City has invested considerable money in infrastructure development and recently achieved a shovel ready status from the State of Iowa for the 420th Street Industrial Park. This project involves annexing and rezoning 180 acres of land and building the street, water, and sewer infrastructure needed to support industrial businesses. The Iowa City Area Development Group and City staff continue to market this property and respond to inquiries from business and site location consultants. This project is estimated to cost \$13,015,000 and will be funded through bonds, state grants, road use tax, and wastewater operations.

The City has established an urban renewal area for the development of Moss Office Park, a 243-acre, 18-lot office research and mix use subdivision on the northeast edge of the city, just off

Interstate 80. Significant infrastructure improvements are necessary to accommodate the planned growth and City staff is working with Moss Office Park owners and adjacent businesses on potential access arrangements to accommodate a phased development approach to this property. Northgate Corporate Park, adjacent to Moss Office Park, continues to experience build out. Project costs to build the infrastructure are \$3,500,000. The City is looking into potential grants to fund this project and the remaining cost will be funded with GO bonds.

The second priority of the FY12 – FY13 Strategic Plan is the development of the Downtown and Near Downtown Areas. Staff is focusing on three distinct geographic areas: Downtown Iowa City, Northside Marketplace, and Riverfront Crossings.

In the fall of 2011, the Iowa City Downtown District (ICDD), a self-supported municipal improvement district, was formed presenting a unique opportunity to bring together property owners, businesses, the University of Iowa and the City of Iowa City. In conjunction with the ICDD, the city will be actively looking for ways to build upon the success of special events that successfully bring visitors to the Downtown. The City recently commissioned two separate market analyses related to Downtown Iowa City, which both highlighted the market potential for the area. Staff, in partnership with stakeholders, will work to pursue policies and projects that will more fully realize the potential of the central business district and facilitate new private investment in the area. Two capital projects that directly impact the Downtown region are the conversion of Washington Street from one-way to two-way traffic to improve vehicular and pedestrian traffic flow and the downtown maintenance project that will improve the physical condition of the infrastructure and streetscape. Other projects that will have a positive impact on downtown include the University of Iowa announcing they will build the Voxman-Clapp Music Building at the corner of Clinton and Burlington Streets, the City actively marketing the city-owned 'John Wilson Building' on the eastern edge of Downtown, and the Iowa City Area Development Group's efforts to establish co-working space in Downtown. The downtown maintenance project and two-way street conversion projects will cost \$926,000 and are being paid through GO bonds.

The Northside Marketplace area recently benefited from streetscape improvements that advanced the aesthetics and improved pedestrian and bicycle accommodations and the City is redeveloping a park in the area. These projects will cost \$1,293,000 and are being funded through state grants, water and wastewater revenues, and bonds. Staff is investigating ways to facilitate new private investment in the area.

The Riverfront Crossing Development Plan is an initiative to revitalize the area south of Iowa City's downtown area. It will be a mix-use zoning district that will allow for commercial and residential development with identified costs estimated at \$800,000 and additional expenses anticipated. Council has approved an Urban Renewal Area for a portion of this area and the City is considering expanding another urban renewal area to encompass a greater portion of the Riverfront Crossing area.

Several capital projects are either underway or being considered that would directly impact the short- and long-term marketability of the Riverfront Crossing area. These projects include purchasing and rehabilitating the train depot, which relates to a \$230,000,000 federal grant that will be used to develop passenger rail services from Chicago to Iowa City, pending matching State funds, constructing a mix-use parking facility adjacent to downtown Iowa City which will include three components: parking facility consisting of approximately 600 parking spaces, commercial space of approximately 25,000 – 35,000 square feet, and 25 - 75 workforce housing units. The City is hoping to work with a private partner to develop the commercial and housing spaces. And a third project is the decommissioning of the north wastewater plant by expanding

the south wastewater plant. This relocation project has costs totaling \$54,978,000 and is being funded through federal and state grants, local option taxes, and wastewater revenues.

The third priority from the City's Strategic Plan FY12 – FY13 that will impact the City's economy is neighborhood stabilization. The Council has indicated a strong desire to stabilize the neighborhoods surrounding the city core. An effective stabilization strategy requires a review and analysis of the City's policies, programs, communications, and capital investment decisions that directly shape and influence a neighborhood's character and livelihood. Staff will be focusing on the central planning district neighborhoods; however many aspects of the neighborhood stabilization review will have implications throughout the community. In order to achieve the Council's goal, staff will focus on the land use regulations, public infrastructure and open space, private building stock, nuisance mitigation, open stakeholder communication, and updating planning documents. Projects to further neighborhood stabilization include the UniverCity Neighborhood Partnership, a joint project between the City and the University of Iowa to ensure the neighborhoods around the university remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners by acquiring and rehabilitating homes near the University of Iowa campus for resale as affordable owner-occupied housing. Staff will also be actively working with the Iowa City Community School district to promote increased coordination in school and neighborhood planning as neighborhood schools play a role in neighborhood stabilization efforts.

The City aims to create a strong and sustainable financial foundation that will provide needed stability and flexibility while utilizing taxpayer dollars in the most efficient and responsible manner. In order to achieve this goal, the City is focusing on two primary areas: new financial policies and strategies that will provide a greater level of financial stability and second, enhance the level of financial analysis presented to the public so elected officials will have a greater information foundation on which to base future decisions. Staff has completed or is currently working on economic development policies, purchasing policies and procedures, target fund balances, debt service coverage levels, general fund contingency level, and an annual review of rates, user charges and fines. The City is also examining operations where the City is providing subsidized service beyond our borders and developing plans to ensure the City is being equitably reimbursed for such services. In May 2012, Moody's conducted a review of the City as part of the bond rating process and reaffirmed the City's Aaa bond rating.

The fifth and final priority of the City's Strategic Plan FY12 – FY13 is coordinated communication and customer service orientation. The City strives to be a high-functioning, customer service orientated organization that actively supports and engages stakeholders through clear, open and innovative communication methods. A reorganization of staff created a new communication team, which has assumed the responsibilities of the front desk at City Hall and offers front line customer service assistance to visitors and those contacting City Hall via phone or email. In the summer of 2012, the City launched a redesigned homepage and introduced a City Facebook and Twitter page. These communication improvements have allowed the City to reach broader audiences and better promote activities, community news, and service information. The City has also began implementation of a new software package, including financials, payroll, and utility billing, that will allow for improved internal workflows and communication. The cost of this project is \$1,433,000 and is being paid with bonds, water, wastewater, sanitation, and stormwater revenues.

Long-term Financial Planning

It is our intent to support the major initiatives through budget appropriations, departmental operations, and employee direction so that the organization as a whole is moving in the same

direction.

There are still two uncertainties at this time which have influenced the preparation of the three-year financial plan (FY14 – FY16): 1) the national economy and the potential impact on municipal operations; and 2) proposals by both the governor and state legislature for revisions to property tax. Fortunately, economic conditions have remained stable or improved and the 2012 legislative session closed without passing property tax reform.

The City is seeing lower growth in property tax valuations when compared with prior years. Revaluation occurs biennially and the FY14 budget is based on non-reevaluation year (2012) in which total property valuation grown was approximately 1%. In addition to this, a recent judgment by the Iowa Supreme court has generated a number of appeals with county assessors across the state for reclassification on multi-unit structures from commercial to residential. Residential properties are subject to an assessment limitation order in the State of Iowa, which established taxable value at 52.82% of assessed value in FY14, versus the 100% taxable value used for commercial properties. Since the court ruling in 2011, a number of commercial property owners in Iowa City have formed cooperative housing units in order to qualify for reclassification as residential property. This trend is expected to continue in future years.

The combined effect of a slower growth in valuations and the loss of taxable value due to cooperative housing conversions has limited growth in property tax revenue. In addition, the City will experience increased expenditures, specifically an increase in bargaining unit contract costs exceeding 2%, additional federal and state regulations and mandates, and rising public safety retirement funding. The consequences of limited revenue growth and increased expenses will require continued review of city operations, service delivery, and alternative revenue sources.

In balancing the budget for the three-year period, the City attempted to reduce costs where possible, while continuing to provide high quality services; identify and eliminate redundancies that may exist within the organization; examine existing and potential new revenue sources; promote and plan for economic development and redevelopment throughout the City to ensure strong property values; determine appropriate staffing levels; provide for necessary improvements to existing infrastructure and prioritize capital projects; and uphold fiscal integrity and maintain adequate cash reserves.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate is the highest form of recognition for excellence in state and local financial reporting.

In order to be awarded the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate is valid for a period of one year only. The City has received the Certificate for the last twenty-seven consecutive years. I believe our current report continues to conform to the Certificate requirements and I will submit it to GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget beginning July 1, 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization. This was the first year the City has submitted the budget document for the award in almost 20 years.

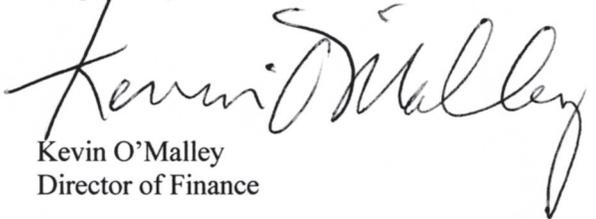
Responsibility and Acknowledgments

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2012. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the City's Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I want to especially recognize the contributions of the City's Controller, Robin Marshall, Assistant Controller, Sara Sproule, Internal Auditor, Nickolas Schaul, Senior Accountant, Justin Armatis and Payroll Accountant, Chris Hurlbert.

Also, I thank the Mayor, members of the City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a dedicated, responsible, and progressive manner.

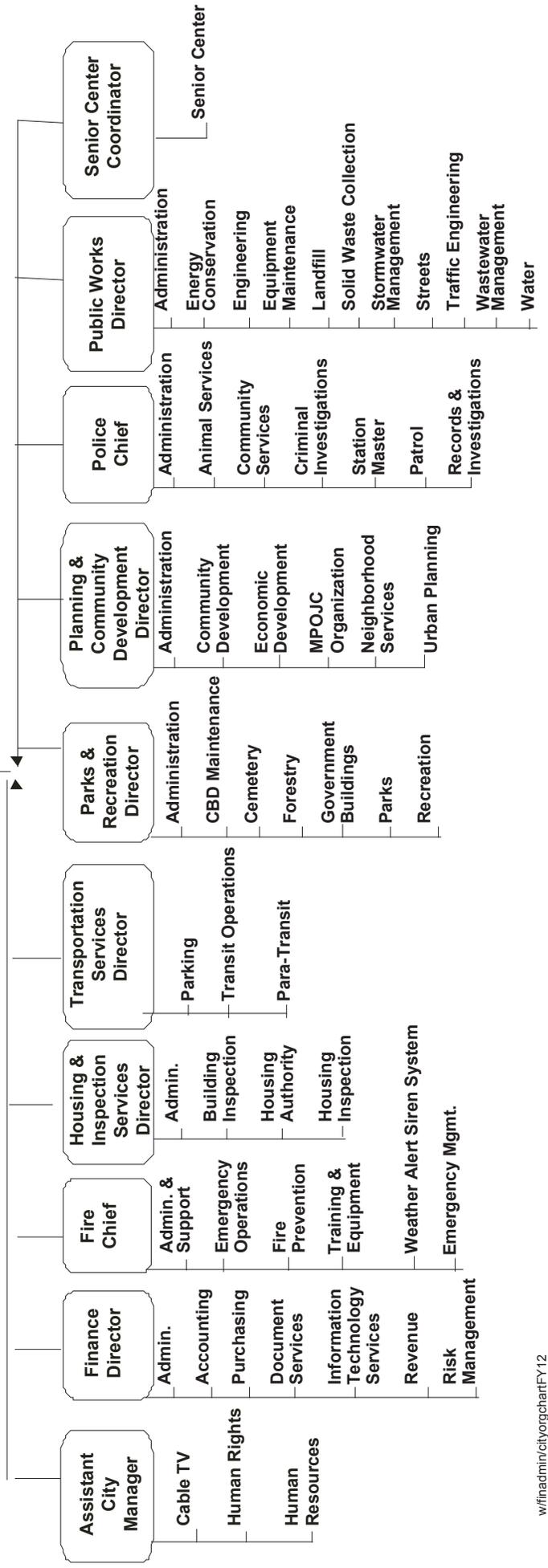
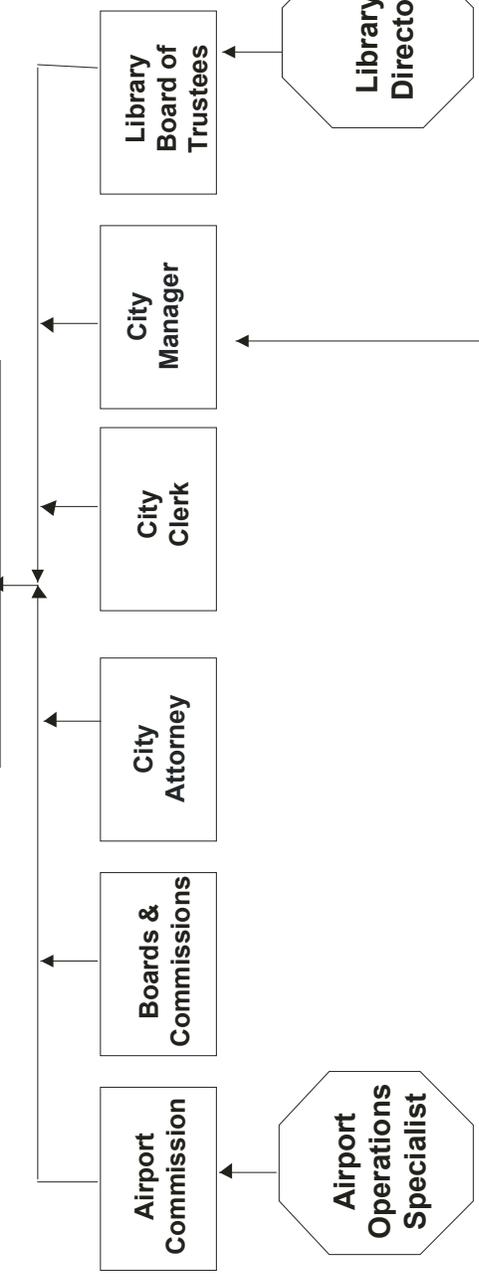
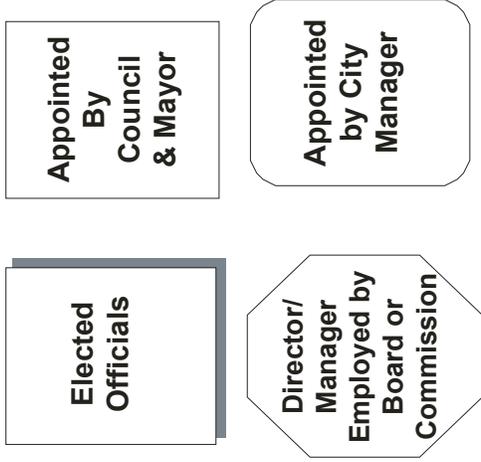
Respectfully submitted,



Kevin O'Malley
Director of Finance

Citizens of Iowa City

Key



CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2012

ELECTED OFFICIALS

		<u>Term Expires</u>
Mayor	Matt Hayek	January 2, 2016
Council Member and Mayor Pro tem	Susan Mims	January 2, 2014
Council Member	Connie Champion	January 2, 2014
Council Member	Terry Dickens	January 2, 2014
Council Member	Rick Dobyns	January 2, 2016
Council Member	Michelle Payne	January 2, 2016
Council Member	Jim Throgmorton	January 2, 2016

APPOINTED OFFICIALS

		<u>Date of Hire</u>
City Manager	Thomas Markus	December 1, 2010
City Clerk	Marian K. Karr	May 21, 1979
City Attorney	Eleanor Dilkes	March 18, 1996

DEPARTMENT DIRECTORS

Assistant to City Manager	Geoff Fruin	November 28, 2011
Director of Housing and Inspection Services	Douglas W. Boothroy	September 22, 1975
Library Director	Susan Craig	July 28, 1975
Director of Planning & Community Development	Jeff Davidson	January 26, 1981
Director of Public Works	Rick Fosse	February 22, 1984
Director of Transportation Services	Chris O'Brien	December, 29, 1997
Senior Center Coordinator	Linda Kopping	March 20, 1995
Fire Chief	Andrew Rocca	July 14, 1978
Parks and Recreation Director	Mike Moran	September 26, 1983
Director of Finance	Kevin O'Malley	August 19, 1985
Chief of Police	Sam Hargadine	August 29, 2005

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Iowa City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Enev

Executive Director



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Iowa City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Iowa City, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Dubuque, Iowa
December 12, 2012

Management's Discussion and Analysis

As management of the City of Iowa City, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. This narrative is intended to be used in conjunction with additional information that is included in the letter of transmittal, which can be found on pages 3 – 11 of this report.

Financial Highlights

- The assets of the City of Iowa City exceeded its liabilities at the close of the fiscal year ending June 30, 2012 by \$484,024,000 (net assets). Of this amount, \$97,756,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$24,181,000 during the fiscal year. Governmental activities increased by \$17,949,000 and business-type activities increased by \$6,232,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$78,044,000, an increase of \$8,824,000 in comparison with the prior year. Of this total amount, approximately \$13,907,000 or 17.8% is unassigned and available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unassigned fund balance for the General Fund was \$14,273,000 or 29.1% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works (roads, traffic controls, and transit), Culture and Recreation, Community and Economic Development, General Government, and Interest on long-term debt. The business-type activities of the City include Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water.

The government-wide financial statements may be found on pages 28 – 31 of this report.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and is typically the basis that is used in developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has five major governmental funds: General Fund, Employee Benefits Fund, Community Development Block Grant Fund, Other Shared Revenue and Grants Fund, and Debt Service Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as "Other Governmental Funds". Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the Governmental funds and the Enterprise funds, to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 32 – 37 of this report.

Proprietary Funds: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water activities. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has four Internal Service Funds: Equipment Maintenance, Central Services, Loss Reserve, and Information Technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. Parking, Wastewater Treatment, Water, Sanitation, and Housing Authority Funds are considered to be major funds and are reported individually throughout the report. The other three non-major enterprise funds are grouped together for reporting purposes and listed under a single heading "Other Enterprise Funds". Detailed information for each of the non-major funds is provided in the combining statements on pages 100 – 102. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38 – 43 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City’s own programs and therefore are not reflected in the government-wide financial statements. The City has two fiduciary funds: Project Green and Library Foundation, which are maintained as agency funds.

The basic fiduciary funds financial statements can be found on page 44.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 – 88 of this report.

Other Information: The combining statements referred to in the above paragraphs in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the notes.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$484,024,000 at the close of the fiscal year ended June 30, 2012.

By far, the largest portion of the City’s net assets reflect its investment in capital assets (e.g., land, building, machinery and equipment, improvements other than buildings, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Iowa City's Net Assets
June 30, 2012
(amounts expressed in thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 172,293	\$ 161,648	\$ 98,069	\$ 100,399	\$ 270,362	\$ 262,047
Capital assets	188,491	184,036	265,559	265,165	454,050	449,201
Total Assets	360,784	345,684	363,628	365,564	724,412	711,248
Long-term liabilities outstanding	78,754	82,352	84,323	91,812	163,077	174,164
Current and other liabilities	72,105	71,356	5,206	5,885	77,311	77,241
Total Liabilities	150,859	153,708	89,529	97,697	240,388	251,405
Net assets:						
Invested in capital assets, net of related debt	135,998	123,935	195,073	186,177	331,071	310,112
Restricted	35,021	31,179	20,176	20,658	55,197	51,837
Unrestricted	38,906	36,862	58,850	61,032	97,756	97,894
Total Net Assets	<u>\$ 209,925</u>	<u>\$ 191,976</u>	<u>\$ 274,099</u>	<u>\$ 267,867</u>	<u>\$ 484,024</u>	<u>\$ 459,843</u>

A portion of the City's net assets, \$55,197,000 or 11.4%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets, \$97,756,000 or 20.2%, may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2012, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities: Governmental activities increased the City's net assets by \$17,949,000. The increase in net assets of governmental activities is primarily due to receiving grants to fund expenditures in capital assets for flood recovery and mitigation and community development projects and collection of a local option sales tax to be used to fund future capital improvement projects.

The following is a more detailed review of FY12's operation.

City of Iowa City's Changes in Net Assets						
(amounts expressed in thousands)						
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 8,155	\$ 8,199	\$ 36,095	\$ 36,334	\$ 44,250	\$ 44,533
Operating grants and contributions	8,682	13,517	6,782	7,448	15,464	20,965
Capital grants and contributions	6,078	6,048	6,218	4,145	12,296	10,193
General Revenues:						
Property taxes	50,516	48,011	-	-	50,516	48,011
Road use tax	6,394	6,068	-	-	6,394	6,068
Local option sales tax	8,644	8,911	-	-	8,644	8,911
Other taxes	2,491	2,464	-	-	2,491	2,464
Earnings on investments	1,823	1,539	813	954	2,636	2,493
Gain on disposal of capital assets	2,950	761	336	314	3,286	1,075
Other	4,228	6,230	484	381	4,712	6,611
Total revenues	<u>99,961</u>	<u>101,748</u>	<u>50,728</u>	<u>49,576</u>	<u>150,689</u>	<u>151,324</u>
Expenses:						
Public safety	21,186	18,867	-	-	21,186	18,867
Public works	17,556	19,145	-	-	17,556	19,145
Culture and recreation	13,107	10,811	-	-	13,107	10,811
Community and economic development	16,305	16,501	-	-	16,305	16,501
General government	7,591	7,356	-	-	7,591	7,356
Interest on long-term debt	2,400	2,841	-	-	2,400	2,841
Wastewater treatment	-	-	11,069	10,971	11,069	10,971
Water	-	-	8,781	8,523	8,781	8,523
Sanitation	-	-	8,315	7,461	8,315	7,461
Housing authority	-	-	7,911	7,448	7,911	7,448
Parking	-	-	4,167	4,135	4,167	4,135
Airport	-	-	1,127	1,049	1,127	1,049
Stormwater	-	-	1,304	1,418	1,304	1,418
Cable television	-	-	689	638	689	638
Total expenses	<u>78,145</u>	<u>75,521</u>	<u>43,363</u>	<u>41,643</u>	<u>121,508</u>	<u>117,164</u>
Change in net assets before transfers and extraordinary items	21,816	26,227	7,365	7,933	29,181	34,160
Transfers	(3,867)	(4,020)	3,867	4,020	-	-
Extraordinary items	-	-	(5,000)	-	(5,000)	-
Change in net assets	<u>17,949</u>	<u>22,207</u>	<u>6,232</u>	<u>11,953</u>	<u>24,181</u>	<u>34,160</u>
Net assets beginning of year	<u>191,976</u>	<u>169,769</u>	<u>267,867</u>	<u>255,914</u>	<u>459,843</u>	<u>425,683</u>
Net assets end of year	<u>\$ 209,925</u>	<u>\$ 191,976</u>	<u>\$ 274,099</u>	<u>\$ 267,867</u>	<u>\$ 484,024</u>	<u>\$ 459,843</u>

The total revenues for governmental activities for FY12 were \$99,961,000. Governmental activities are primarily funded through taxes, \$68,045,000 or 68.1%, and grants and contributions, \$14,760,000 or 14.8%. Grants and contributions decreased from prior year by \$4,805,000 as the City's expenditures for flood mitigation, which were covered by I-Jobs and supplemental Community Development Block Grants, have decreased.

Expenses for governmental activities totaled \$78,145,000. Governmental activities are tracked by function including Public Safety, Public Works, Community and Economic Development, Culture and Recreation, and General Government. In FY12, Public Safety accounted for the highest portion of governmental expenses, \$21,186,000 or 27.1%, and increased over the prior year due to the addition of a fourth fire station during FY12. Public Works, \$17,556,000 or 22.5%, and Community and Economic Development, \$16,305,000 or 20.9%, made up another large portion of governmental expenses and each decreased from the prior year due to fewer flood recovery and mitigation projects.

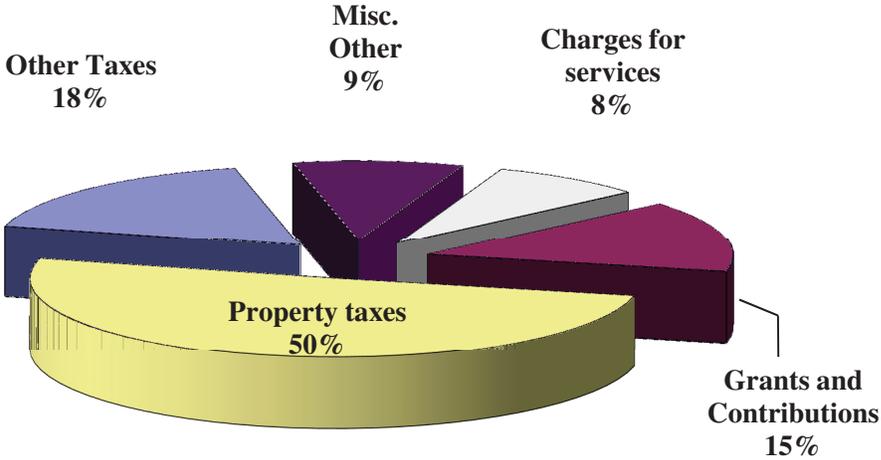
Business-type Activities: Business-type activities increased the City's total net assets by \$6,232,000. The increase in net assets was primarily in the Wastewater fund and is due to an increase in capital assets not funded with debt. The City has been able to utilize federal and state grants to fund a flood recovery and mitigation project, decommission of the North Wastewater Plant through expansion of the South Wastewater Plant, rather than have to issue new debt to pay for this project. The Sanitation fund incurred a decrease in net assets due to an impairment loss when the Iowa City Landfill experienced a fire in one of its newly constructed cells. For all business-type activities, revenues exceeded expenses by \$7,365,000.

Revenues for business-type activities totaled \$50,728,000. The primary revenue source for business-type activities is charges for services, \$36,095,000 or 71.2%. In addition for FY12, the City's business type-activities had a significant portion of their revenues from grants and contributions used to help fund capital and flood recovery projects for business-type activities, \$13,000,000 or 25.6%. This is an increase of \$1,407,000 from the prior year due to additional expenses for the Wastewater flood mitigation project that are covered by grants.

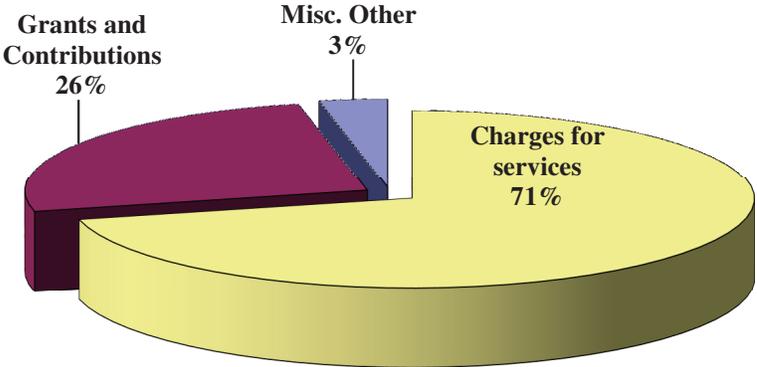
The total expenses for business-type activities in FY12 were \$43,363,000. Wastewater Treatment represented the highest portion of business-type activities, \$11,069,000 or 25.5%, with Water, \$8,781,000 or 20.3%, Sanitation, \$8,315,000 or 19.2%, and Housing Authority, \$7,911,000 or 18.2%, making up the remainder of the majority of business-type activities expenses.

The graphs on the following pages represent a breakdown of revenue by source and expenditures by program area for governmental and business-type activities.

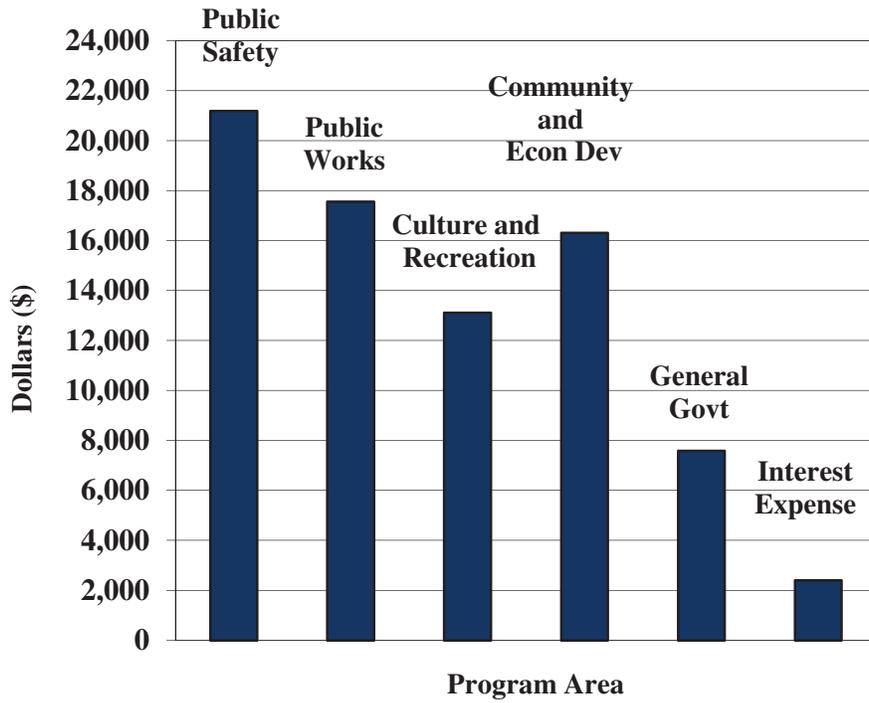
**Governmental Activities
FY2012 Revenue
by Source**



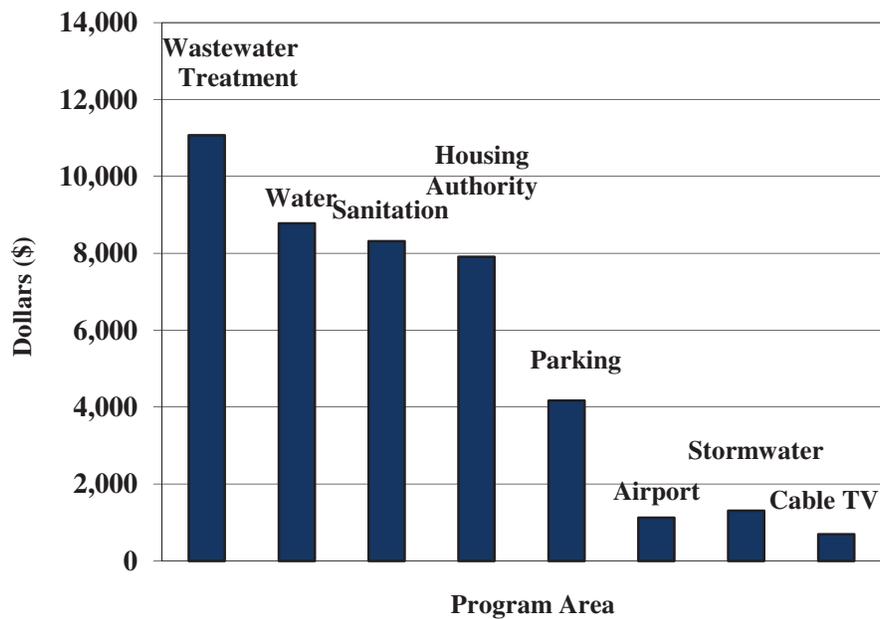
**Business-Type Activities
FY2012 Revenue
by Source**



**Governmental Activities
FY2012 Expenditures
by Program Area**
(amounts expressed in thousands)



**Business-Type Activities
FY2012 Expenditures
by Program Area**
(amounts expressed in thousands)



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be/is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

As of the fiscal year ended June 30, 2012, the City's governmental funds reported combined ending fund balances of \$78,044,000, an increase of \$8,824,000 in comparison with the prior year. Of this total amount, \$13,907,000 constitutes unassigned fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance is not available for new spending because of constraints imposed externally by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed internally on the specific purposes for which these amounts can be spent. The restricted fund balance of \$58,632,000 or 75.1% contains external restraints on its use. The assigned fund balance of \$5,191,000 or 6.7% has been identified by the City to be used for specific purposes. The nonspendable fund balance is \$314,000 or 0.4%, which the City is contractually required to maintain intact or cannot be spent because it is in a nonspendable format, such as inventories.

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2012, the unassigned fund balance of the General Fund was \$14,273,000 while General Fund's total fund balance was \$43,557,000. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29.1% of total General Fund expenditures of \$49,016,000, while total fund balance represents 88.9% of that same amount.

The fund balance of the City's General Fund increased by \$7,485,000 during the current fiscal year. This was due to collection of a local option sales tax that took effect in FY10 to be used to fund future capital improvement projects. This tax will be collected through FY13.

The Bridge, Street, and Traffic Control Construction Fund had a deficit fund balance of (\$287,000) as compared to a deficit balance of (\$1,741,000) in the prior period. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in FY13 to cover the capital expenditures.

The Other Construction Fund accounts for the construction or replacement of other City general fixed assets, such as administrative buildings with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions. This fund balance increased by \$4,823,000 during the fiscal year due to bond proceeds that will be used to fund upcoming capital improvement projects.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ending net assets of the enterprise funds were \$264,293,000, an increase in net asset of \$5,505,000. This was primarily due to capital contributions of federal and state grants to fund capital improvement projects to help with flood recovery and mitigation and transfer of business-type capital assets from governmental capital

project funds. Of the enterprise funds' net assets, \$195,073,000 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$49,044,000, a decrease of \$2,909,000 compared to the previous year due to additional funds being classified as restricted by bond ordinance or grant agreements.

The Internal Service funds showed net assets totaling \$27,913,000 as of June 30, 2012, an increase of \$1,798,000 primarily due to an operating income in the Loss Reserve Fund as claims were less than anticipated and an operating income in the Equipment Reserve Fund to build up reserves for future capital outlay.

Budgetary Highlights

The City presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type.

The City had two budget amendments during the fiscal year. These amendments increased budgeted revenues by \$106,986,000 or 50.8% and the expenditure budget by \$162,901,000 or 75.0% to a total of \$380,225,000. These increases were due primarily to capital projects in governmental and business-type funds because of timing of completion of projects and ongoing recovery from the flood of 2008 and the associated grants.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$454,050,000, net of accumulated depreciation. This investment in capital assets, including land, buildings, improvements other than buildings, equipment, streets, bridges, trails, wastewater and water systems, and other infrastructure represents the value of resources utilized to provide services to its citizens. The City's investment in capital assets for the fiscal year ended June 30, 2012 increased by \$4,455,000 for governmental activities compared to the prior year and increased by \$394,000 for business-type activities over the prior year.

The following table reflects the \$454,050,000 investment in capital assets, net of accumulated depreciation.

City of Iowa City's Capital Assets
(net of depreciation)
(amounts expressed in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 24,964	\$ 23,887	\$ 25,886	\$ 25,824	\$ 50,850	\$ 49,711
Buildings	46,623	44,748	72,068	69,146	118,691	113,894
Improvements other than buildings	4,103	3,584	6,114	6,561	10,217	10,145
Machinery and equipment	17,330	16,647	7,091	8,070	24,421	24,717
Infrastructure	82,642	79,162	138,282	136,031	220,924	215,193
Construction in progress	<u>12,829</u>	<u>16,008</u>	<u>16,118</u>	<u>19,533</u>	<u>28,947</u>	<u>35,541</u>
Total	<u>\$ 188,491</u>	<u>\$ 184,036</u>	<u>\$ 265,559</u>	<u>\$ 265,165</u>	<u>\$ 454,050</u>	<u>\$ 449,201</u>

Major capital asset events during the current fiscal year included the following:

- Construction continued on the infrastructure and site grading for the 420th Street Industrial Park. At the end of the fiscal year, expenses were moved into construction in progress totaling \$310,000 for

water, \$490,000 for stormwater, \$1,787,000 for streets, and \$1,748,000 for wastewater. Project will be completed in FY2013.

- Work continued on the South Wastewater Plant Expansion. This project will relocate the North Wastewater Treatment Plant and consolidate operations into the South Wastewater Treatment Plant through expansion of south plant facilities and demolition of the north plant facilities. Funding for the project includes \$22,000,000 in federal EDA grants, \$13,546,000 in local options sales tax, \$5,500,000 in I-JOBS grant monies, \$5,000,000 in CDBG Public Infrastructure grants, as well as, \$1,890,000 from Wastewater user fees. Expenses totaling \$5,717,000 were moved into construction in progress at the end of FY12. This project is scheduled to be complete in FY14.
- A new landfill cell was completed. \$2,436,000 in FY12 expenses were added to prior years' expenses for a total of \$7,812,000. This cell was significantly damaged by a fire in May 2012 shortly after it opened. An impairment loss of \$5,000,000 was recognized in FY12 and the remaining costs are reported as construction in progress as the cell is not operational during reconstruction.
- Construction was completed on the Eastside Recycling Center. FY12 expenses of \$455,000 were added to prior year expenses for a total of \$4,627,000 capitalized this fiscal year.
- A variety of street and bridge construction projects in residential and new industrial areas were capitalized for a total of \$4,327,000. This includes \$2,290,000 for the 420th Street – Highway 6 to Taft project to accommodate the 420th Street Industrial Park and \$1,407,000 for the Dodge Street/I-80 Pedestrian Bridge. An additional \$7,025,000 remains in construction in progress including expenditures for Sycamore Street – Highway 6 to the City Limits project for \$1,544,000 and \$1,787,000 for the 420th Street Industrial Park

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Debt Administration: At the end of the fiscal year, the City had total bonded debt outstanding of \$143,505,000. Of this amount, \$75,320,000 comprises debt backed by the full faith and credit of the City. However, \$1,495,000 or 2.0% of the general obligation bonds is debt that serves enterprise funds and is abated by their charges for services and \$5,595,000 or 7.4% of these bonds is debt that will be paid with Tax Increment Financing revenues. \$68,185,000 represents revenue bonds secured solely by specific revenue sources.

City of Iowa City's Outstanding Debt
General Obligation and Revenue Bonds
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 73,825	\$ 77,429	\$ 1,495	\$ 3,146	\$ 75,320	\$ 80,575
Revenue bonds	-	-	68,185	74,965	68,185	74,965
Total	<u>\$ 73,825</u>	<u>\$ 77,429</u>	<u>\$ 69,680</u>	<u>\$ 78,111</u>	<u>\$ 143,505</u>	<u>\$ 155,540</u>

The City did issue \$9,690,000 of General Obligation bonds during FY2012. However, during the current fiscal year the City's total bonded debt still decreased by \$12,035,000.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2012 were as follows:

General obligation bonds	Aaa
Parking revenue bonds	A
Wastewater treatment revenue bonds	A
Water revenue bonds	A

The City continues to operate well under the State debt capacity debt limitations. State statute limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in Iowa City. The current debt limitation for the City is \$226,982,000. With outstanding General Obligation Debt applicable to this limit of \$75,320,000 we are utilizing 33.2% of this limit.

More detailed information on debt administration is provided in Note 6 of the financial statements.

Economic Factors and Next Year’s Budget and Rates

In May 2009, the voters of Iowa City approved a one cent local option sales tax. Collection of this tax began July 1, 2009 and will continue for four years. In FY12, the City collected \$8,644,000 in local option sales tax. The City Council has indicated that the priorities for use of this sales tax will be capital projects for the elevation of Dubuque Street, including the reconstruction of Park Road Bridge, and the expansion of the South Wastewater Plant and demolition of the North Wastewater Plant. Sales tax proceeds are used to provide local match for available state and federal funding and to reduce our reliance on property tax and increased user fees that would otherwise be needed to fund such projects. This local option sales tax will end on June 30, 2013.

During the 2009 session, the Iowa State Legislature passed a law allowing cities to utilize franchise fee tax as a revenue alternative to property tax. The Iowa City Council passed a local franchise fee tax of 1% on natural gas and electricity that became effective April 1, 2010. This revenue is being utilized to support additional public safety initiatives, including operating a fourth fire station. In FY12, the City collected \$822,000 in local franchise fee.

The City expects continued constraints by the State’s property tax formula and there is a potential for commercial property tax reform during the next legislative session. The rollback on residential properties negatively affects the City’s general operating funds and without the potential for new revenue sources, like those mentioned above, the City’s opportunities for new initiatives are limited. The Council has established a balanced budget in the General Fund for FY13 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of taxable valuation for FY13 is provided below:

General Levy	\$ 8.100
Debt Service Levy	4.443
Employee Benefits Levy	3.193
Transit Levy	0.950
Liability Insurance Levy	0.313
Library Levy	0.270
Total City Levy	\$ 17.269

Requests for Information

This report is designed to provide a general overview of the City of Iowa City’s finances for all of those with an interest in the government’s finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to City of Iowa City, Finance Department, 410 E. Washington Street, Iowa City, IA, 52240.

CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS

June 30, 2012

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 60,441	\$ 41,832	\$ 102,273
Receivables:			
Property tax	50,754	-	50,754
Accounts and unbilled usage	430	3,161	3,591
Interest	179	488	667
Notes	16,524	963	17,487
Internal balances	(11,938)	11,938	-
Due from other governments	8,055	2,634	10,689
Inventories	734	414	1,148
Assets held for resale	1,100	-	1,100
Restricted assets:			
Equity in pooled cash and investments	45,986	36,631	82,617
Other post employment benefits asset	28	8	36
Capital assets:			
Land and construction in progress	37,792	42,004	79,796
Other capital assets (net of accumulated depreciation)	150,699	223,555	374,254
Total assets	<u>360,784</u>	<u>363,628</u>	<u>724,412</u>
Liabilities			
Accounts payable	2,593	408	3,001
Contracts payable	1,330	1,838	3,168
Accrued liabilities	2,665	184	2,849
Interest payable	208	1,405	1,613
Deposits	956	767	1,723
Due to other governments	2,991	324	3,315
Notes payable	805	-	805
Unearned revenue	60,557	280	60,837
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,226	317	1,543
Bonds payable	11,337	6,584	17,921
Due in more than one year:			
Employee vested benefits	1,005	243	1,248
Other post employment benefits obligation	2,086	636	2,722
Notes payable	211	-	211
Bonds payable	62,889	63,959	126,848
Landfill closure/post-closure liability	-	12,584	12,584
Total liabilities	<u>150,859</u>	<u>89,529</u>	<u>240,388</u>

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS (continued)

June 30, 2012

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 135,998	\$ 195,073	\$ 331,071
Restricted for or by:			
Employee benefits	2,057	-	2,057
Capital projects	20,565	-	20,565
Debt service	11,009	-	11,009
Other purposes	1,390	-	1,390
Bond ordinance	-	15,829	15,829
State statute	-	1,092	1,092
Future improvements	-	100	100
Grant agreement	-	3,155	3,155
Unrestricted	38,906	58,850	97,756
Total net assets	<u>\$ 209,925</u>	<u>\$ 274,099</u>	<u>\$ 484,024</u>

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012
(amounts expressed in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 21,186	\$ 3,401	\$ 379	\$ 200
Public works	17,556	1,112	1,943	2,975
Culture and recreation	13,107	825	-	904
Community and economic development	16,305	-	6,360	1,999
General government	7,591	2,817	-	-
Interest on long-term debt	2,400	-	-	-
Total governmental activities	<u>78,145</u>	<u>8,155</u>	<u>8,682</u>	<u>6,078</u>
Business-type activities:				
Wastewater treatment	11,069	12,670	-	3,223
Water	8,781	8,419	-	977
Sanitation	8,315	8,115	-	2
Housing authority	7,911	207	6,782	-
Parking	4,167	4,743	-	4
Airport	1,127	306	-	1,576
Stormwater	1,304	811	-	436
Cable television	689	824	-	-
Total business-type activities	<u>43,363</u>	<u>36,095</u>	<u>6,782</u>	<u>6,218</u>
Total	<u>\$ 121,508</u>	<u>\$ 44,250</u>	<u>\$ 15,464</u>	<u>\$ 12,296</u>

General revenues:

Property taxes, levied for general purposes

Road use tax

Hotel/motel tax

Gas and electric tax

Local option sales tax

Utility franchise tax

Earnings on investments

Gain on disposal of capital assets

Miscellaneous

Transfers

Extraordinary items

Total general revenues, transfers, and extraordinary items

Changes in net assets

Net assets beginning of year

Net assets end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (17,206)	\$ -	\$ (17,206)
(11,526)	-	(11,526)
(11,378)	-	(11,378)
(7,946)	-	(7,946)
(4,774)	-	(4,774)
(2,400)	-	(2,400)
<u>(55,230)</u>	<u>-</u>	<u>(55,230)</u>
-	4,824	4,824
-	615	615
-	(198)	(198)
-	(922)	(922)
-	580	580
-	755	755
-	(57)	(57)
-	135	135
<u>-</u>	<u>5,732</u>	<u>5,732</u>
<u>(55,230)</u>	<u>5,732</u>	<u>(49,498)</u>
50,516	-	50,516
6,394	-	6,394
811	-	811
858	-	858
8,644	-	8,644
822	-	822
1,823	813	2,636
2,950	336	3,286
4,228	484	4,712
(3,867)	3,867	-
-	(5,000)	(5,000)
<u>73,179</u>	<u>500</u>	<u>73,679</u>
17,949	6,232	24,181
191,976	267,867	459,843
<u>\$ 209,925</u>	<u>\$ 274,099</u>	<u>\$ 484,024</u>

CITY OF IOWA CITY, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2012
(amounts expressed in thousands)

	Special Revenue						Total
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Debt Service	Other Governmental Funds	
Assets							
Equity in pooled cash and investments	\$ 21,863	\$ 1,773	\$ 382	\$ 15	\$ 10,147	\$ 2,680	\$ 36,860
Receivables:							
Property tax	28,125	9,325	-	-	13,024	280	50,754
Accounts and unbilled usage	225	-	-	197	-	8	430
Interest	109	-	1	-	19	2	131
Notes	360	-	13,720	899	1,545	-	16,524
Advances to other funds	341	-	18	-	186	-	545
Due from other governments	3,938	257	10	1,796	-	1,961	7,962
Inventories	244	-	-	-	-	-	244
Assets held for resale	170	-	-	765	-	165	1,100
Restricted assets:							
Equity in pooled cash and investments	24,221	-	-	30	-	21,735	45,986
Total assets	\$ 79,596	\$ 11,355	\$ 14,131	\$ 3,702	\$ 24,921	\$ 26,831	\$ 160,536

(continued)

CITY OF IOWA CITY, IOWA

BALANCE SHEET (continued)
GOVERNMENTAL FUNDS

June 30, 2012

(amounts expressed in thousands)

	Special Revenue						Total
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Debt Service	Other Governmental Funds	
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 1,323	\$ 40	\$ -	\$ 80	\$ -	\$ 180	\$ 1,623
Contracts payable	-	-	-	-	-	1,330	1,330
Accrued liabilities	657	1	6	41	-	22	727
Advances from other funds	2,150	-	-	186	-	341	2,677
Due to other governments	19	-	-	25	-	2,947	2,991
Interest payable	-	-	-	25	-	-	25
Notes payable	170	-	-	635	-	-	805
Deferred revenue	30,770	9,514	13,738	2,106	13,912	1,318	71,358
Liabilities payable from restricted assets:							
Deposits	950	-	-	5	-	1	956
Total liabilities	<u>36,039</u>	<u>9,555</u>	<u>13,744</u>	<u>3,103</u>	<u>13,912</u>	<u>6,139</u>	<u>82,492</u>
Fund balances:							
Nonspendable	314	-	-	-	-	-	314
Restricted	23,779	1,800	387	599	11,009	21,058	58,632
Assigned	5,191	-	-	-	-	-	5,191
Unassigned	14,273	-	-	-	-	(366)	13,907
Total fund balances	<u>43,557</u>	<u>1,800</u>	<u>387</u>	<u>599</u>	<u>11,009</u>	<u>20,692</u>	<u>78,044</u>
Total liabilities and fund balances	<u>\$ 79,596</u>	<u>\$ 11,355</u>	<u>\$ 14,131</u>	<u>\$ 3,702</u>	<u>\$ 24,921</u>	<u>\$ 26,831</u>	<u>\$ 160,536</u>

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY

**RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2012
(amounts expressed in thousands)

Total governmental fund balances	\$ 78,044
Amounts reported for governmental activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	27,913
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Notes, grants and other receivables - Earned but unavailable	10,801
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	181,741
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,118)
Accrued post employment benefit obligations are not due and payable in the current period and therefore are not reported in the funds.	(2,030)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(74,226)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(211)
Accrued interest on bonds	(183)
Internal balance due to integration of internal service funds	<u>(9,806)</u>
Total net assets of governmental activities	<u>\$ 209,925</u>

The notes to the financial statements are an integral part of this statement.

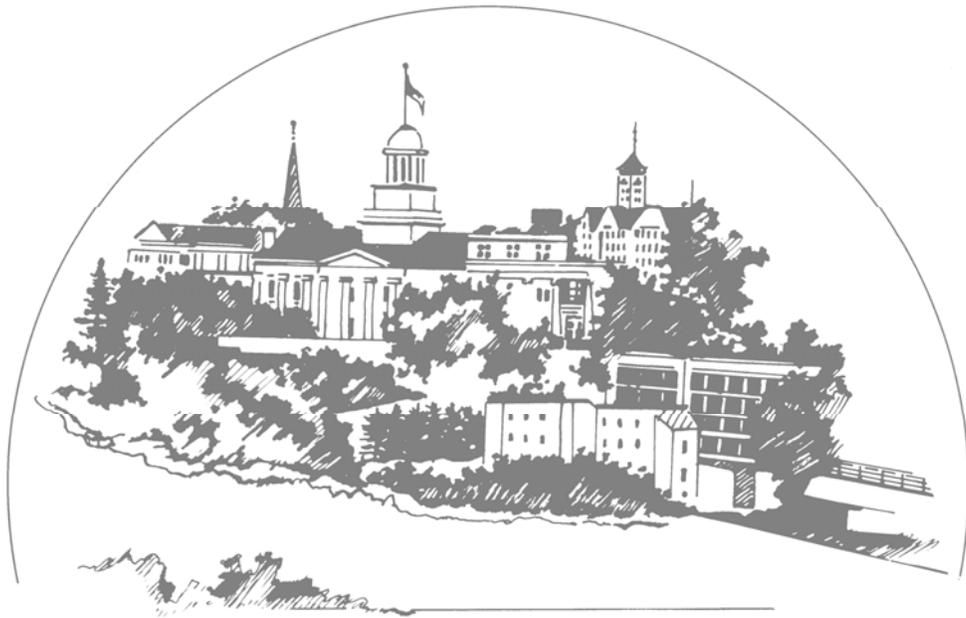
CITY OF IOWA CITY, IOWA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue						Total
	General	Employee Benefits	Community Development Block Grant	Other Revenue and Grants	Debt Service	Other Governmental Funds	
Revenues							
Taxes	\$ 37,388	\$ 9,961	\$ -	\$ -	\$ 13,254	\$ 1,046	\$ 61,649
Licenses and permits	1,307	-	-	-	-	-	1,307
Intergovernmental	4,450	-	788	12,869	-	3,845	21,952
Charges for services	2,396	197	-	21	-	-	2,614
Use of money and property	1,484	-	29	84	153	18	1,768
Miscellaneous	4,422	2	907	191	-	228	5,750
Total revenues	<u>51,447</u>	<u>10,160</u>	<u>1,724</u>	<u>13,165</u>	<u>13,407</u>	<u>5,137</u>	<u>95,040</u>
Expenditures							
Current:							
Public safety	19,249	533	-	-	-	309	20,091
Public works	7,385	-	-	4,997	-	3,080	15,462
Culture and recreation	12,153	-	-	-	-	922	13,075
Community and economic development	1,328	-	3,222	1,970	-	1,517	8,037
General government	7,026	357	-	-	-	170	7,553
Debt service:							
Principal	-	-	-	-	13,294	-	13,294
Interest	-	-	-	-	2,543	-	2,543
Capital outlay	1,875	-	2	8,063	-	6,066	16,006
Total expenditures	<u>49,016</u>	<u>890</u>	<u>3,224</u>	<u>15,030</u>	<u>15,837</u>	<u>12,064</u>	<u>96,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,431</u>	<u>9,270</u>	<u>(1,500)</u>	<u>(1,865)</u>	<u>(2,430)</u>	<u>(6,927)</u>	<u>(1,021)</u>
Other Financing Sources (Uses)							
Issuance of debt	-	-	-	-	-	9,690	9,690
Sale of capital assets	1,183	-	-	2,436	-	-	3,619
Insurance Recoveries	-	-	-	-	-	53	53
Premium on issuance of bonds	-	-	-	-	-	165	165
Transfers in	9,818	-	-	577	288	8,816	19,499
Transfers out	(5,947)	(10,002)	(38)	(1,030)	-	(6,164)	(23,181)
Total other financing sources and (uses)	<u>5,054</u>	<u>(10,002)</u>	<u>(38)</u>	<u>1,983</u>	<u>288</u>	<u>12,560</u>	<u>9,845</u>
Net change in fund balances	7,485	(732)	(1,538)	118	(2,142)	5,633	8,824
Fund Balances, Beginning	<u>36,072</u>	<u>2,532</u>	<u>1,925</u>	<u>481</u>	<u>13,151</u>	<u>15,059</u>	<u>69,220</u>
Fund Balances, Ending	<u>\$ 43,557</u>	<u>\$ 1,800</u>	<u>\$ 387</u>	<u>\$ 599</u>	<u>\$ 11,009</u>	<u>\$ 20,692</u>	<u>\$ 78,044</u>

The notes to the financial statements are an integral part of this statement.



CITY OF IOWA CITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	8,824
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset. Capital outlays and contributed capital assets exceeded depreciation expense in the current year as follows:</p>		
Expenditures for capital assets	\$	10,827
Transfers of capital assets (to)\from enterprise funds - net		(214)
Transfers of capital assets (to)\from internal service funds - net		4
Capital assets contributed		1,154
Depreciation expense		<u>(6,438)</u>
		5,333
<p>Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Debt issued		(9,690)
Discount / (premium) on bonds issued		(165)
Repayments of debt		13,294
Amortization of premium		<u>79</u>
		3,518
<p>Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds.</p>		
		219
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p>		
Change in accrued compensated absences		(59)
Change in accrued post employment benefit obligations		(346)
Change in accrued interest on debt		64
<p>In the statement of activities, only the gain on the sale of the capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increased financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.</p>		
		(669)
<p>Prepaid items in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenses in the period that the corresponding net asset is exhausted.</p>		
		(6)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		<u>1,071</u>
Change in net assets of governmental activities	\$	<u><u>17,949</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds		Activities - Internal Service Funds
Assets								
Current assets:								
Equity in pooled cash and investments	\$ 5,219	\$ 14,551	\$ 8,284	\$ 7,271	\$ 3,639	\$ 2,868	\$ 41,832	\$ 23,581
Receivables:								
Accounts and unbilled usage	8	1,408	976	484	2	283	3,161	-
Interest	18	341	30	44	49	6	488	48
Notes	-	-	-	-	963	-	963	-
Advances to other funds	-	-	-	3,796	-	-	3,796	-
Due from other governments	-	717	1,289	8	35	585	2,634	93
Inventories	-	-	414	-	-	-	414	490
Total current assets	5,245	17,017	10,993	11,603	4,688	3,742	53,288	24,212
Noncurrent assets:								
Restricted assets:								
Equity in pooled cash and investments	1,528	11,905	4,260	15,561	3,155	222	36,631	-
Other post employment benefits asset	-	-	-	-	-	8	8	28
Capital assets:								
Land	6,798	759	6,296	1,912	690	9,431	25,886	45
Buildings	26,392	59,701	24,019	5,535	5,350	4,915	125,912	821
Improvements other than buildings	328	7,371	2,351	144	9	357	10,560	50
Machinery and equipment	745	9,766	10,458	415	116	650	22,150	15,731
Infrastructure	-	91,044	52,511	11,298	-	49,829	204,682	1,577
Accumulated depreciation	(15,583)	(70,676)	(25,618)	(10,252)	(3,850)	(13,770)	(139,749)	(11,564)
Construction in progress	1,020	7,706	998	2,904	-	3,490	16,118	90
Total noncurrent assets	21,228	117,576	75,275	27,517	5,470	55,132	302,198	6,778
Total assets	26,473	134,593	86,268	39,120	10,158	58,874	355,486	30,990

(continued)

CITY OF IOWA CITY, IOWA

**STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS**

June 30, 2012

(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Activities - Internal Service Funds
Liabilities								
Current liabilities:								
Accounts payable	\$ 37	\$ 49	\$ 133	\$ 37	\$ 21	\$ 131	\$ 408	\$ 970
Contracts payable	304	502	281	274	-	477	1,838	-
Accrued liabilities	30	38	44	42	16	14	184	1,938
Employee vested benefits	50	57	77	85	28	20	317	63
Due to other governments	-	-	18	289	17	-	324	-
Deferred revenue	280	-	-	-	-	-	280	-
Interest payable	166	812	427	-	-	-	1,405	-
Bonded debt payable (net of unamortized premium and discounts)	517	4,924	1,143	-	-	-	6,584	-
Total current liabilities	1,384	6,382	2,123	727	82	642	11,340	2,971
Noncurrent liabilities:								
Liabilities payable from restricted assets:								
Deposits	1	-	413	16	329	8	767	-
Advances from other funds	507	-	-	-	18	1,139	1,664	-
Employee vested benefits	37	40	62	67	21	16	243	50
Bonded debt payable (net of unamortized premium and discounts)	7,705	36,004	20,250	-	-	-	63,959	-
Other post employment benefits obligation	117	135	146	181	45	12	636	56
Landfill closure/postclosure liability	-	-	-	12,584	-	-	12,584	-
Total noncurrent liabilities	8,367	36,179	20,871	12,848	413	1,175	79,853	106
Total liabilities	9,751	42,561	22,994	13,575	495	1,817	91,193	3,077
Net Assets								
Invested in capital assets, net of related debt	11,478	64,743	49,679	11,956	2,315	54,902	195,073	6,750
Restricted by bond ordinance	1,361	11,093	3,375	-	-	-	15,829	-
Restricted by state statute	-	-	-	1,092	-	-	1,092	-
Restricted for future improvements	-	-	-	-	-	100	100	-
Restricted by grant agreement	-	-	-	-	3,155	-	3,155	-
Unrestricted	3,883	16,196	10,220	12,497	4,193	2,055	49,044	21,163
Total net assets	\$ 16,722	\$ 92,032	\$ 63,274	\$ 25,545	\$ 9,663	\$ 57,057	264,293	\$ 27,913
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							9,806	
Net assets of business-type activities							<u>\$ 274,099</u>	

The notes to the financial statements are an integral part of this statement.



CITY OF IOWA CITY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds		Activities - Internal Service Funds
Operating Revenues:								
Charges for services	\$ 4,743	\$ 12,670	\$ 8,419	\$ 8,115	\$ 207	\$ 1,941	\$ 36,095	\$ 17,373
Miscellaneous	162	145	26	48	99	4	484	196
Total operating revenues	4,905	12,815	8,445	8,163	306	1,945	36,579	17,569
Operating Expenses:								
Personal services	1,733	1,993	2,554	2,673	970	729	10,652	2,228
Commodities	107	954	967	288	28	191	2,535	3,255
Services and charges	1,194	2,716	2,132	5,115	6,804	720	18,681	9,207
	3,034	5,663	5,653	8,076	7,802	1,640	31,868	14,690
Depreciation	815	3,952	2,275	415	128	1,500	9,085	1,386
Total operating expenses	3,849	9,615	7,928	8,491	7,930	3,140	40,953	16,076
Operating income (loss)	1,056	3,200	517	(328)	(7,624)	(1,195)	(4,374)	1,493
Nonoperating Revenues (Expenses):								
Gain (loss) on disposal of capital assets	(10)	(12)	(10)	-	17	351	336	200
Operating grants (repayment)	-	-	-	(222)	6,782	-	6,560	-
Interest income	40	360	204	165	37	7	813	55
Interest expense	(366)	(1,564)	(964)	-	-	-	(2,894)	-
Total nonoperating revenues (expenses)	(336)	(1,216)	(770)	(57)	6,836	358	4,815	255
Income (loss) before capital contributions, transfers and extraordinary items	720	1,984	(253)	(385)	(788)	(837)	441	1,748
Capital contributions	4	3,223	1,057	2	-	2,146	6,432	-
Transfers in	-	2,454	478	-	38	1,341	4,311	51
Transfers out	(16)	(359)	(110)	(12)	(43)	(139)	(679)	(1)
Income (loss) before extraordinary items	708	7,302	1,172	(395)	(793)	2,511	10,505	1,798
Extraordinary items:								
Impairment loss	-	-	-	(5,000)	-	-	(5,000)	-
Change in net assets	708	7,302	1,172	(5,395)	(793)	2,511	5,505	1,798
Net Assets, Beginning	16,014	84,730	62,102	30,940	10,456	54,546		26,115
Net Assets, Ending	\$ 16,722	\$ 92,032	\$ 63,274	\$ 25,545	\$ 9,663	\$ 57,057		\$ 27,913

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business-type activities

727
\$ 6,232

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds		Total
Cash Flows From Operating Activities								
Receipts from customers and users	\$ 4,920	\$ 12,719	\$ 8,149	\$ 8,257	\$ 337	\$ 1,916	\$ 36,298	\$ 17,573
Payments to suppliers	(1,350)	(3,685)	(3,117)	(4,340)	(6,826)	(916)	(20,234)	(11,959)
Payments to employees	(1,777)	(2,006)	(2,600)	(2,696)	(979)	(767)	(10,825)	(1,809)
Net cash flows from operating activities	1,793	7,028	2,432	1,221	(7,468)	233	5,239	3,805
Cash Flows From Noncapital Financing Activities								
Grants received	-	-	3	(215)	6,765	-	6,553	-
Transfers from other funds	-	2,454	478	-	38	1,341	4,311	51
Transfers to other funds	(16)	(359)	(110)	(12)	(43)	(139)	(679)	(1)
Repayment/(payment) of notes receivable	-	-	-	-	(80)	-	(80)	-
Repayment of advances from other funds	(288)	-	-	-	-	(324)	(612)	-
Repayment of advances to other funds	-	-	-	529	-	-	529	-
Net cash flows from noncapital financing activities	(304)	2,095	371	302	6,680	878	10,022	50
Cash Flows From Capital and Related Financing Activities								
Capital grants received	273	3,484	149	-	-	1,296	5,202	-
Acquisition and construction of property and equipment	(1,628)	(5,005)	(992)	(3,496)	-	(2,338)	(13,459)	(1,209)
Proceeds from sale of property	-	-	1	6	285	373	665	232
Proceeds from issuance of refunding debt (principal plus premium less discount)	-	-	4,990	-	-	-	4,990	-
Principal paid on bonded debt	(500)	(4,615)	(8,266)	-	-	-	(13,381)	-
Interest paid on bonded debt	(375)	(1,692)	(981)	-	-	-	(3,048)	-
Net cash flows from capital and related financing activities	(2,230)	(7,828)	(5,099)	(3,490)	285	(669)	(19,031)	(977)
Cash Flows From Investing Activities								
Interest on investments	39	277	568	171	28	6	1,089	46
Net increase (decrease) in cash and cash equivalents	(702)	1,572	(1,728)	(1,796)	(475)	448	(2,681)	2,924
Cash and Cash Equivalents, Beginning	7,449	24,884	14,272	24,628	7,269	2,642	81,144	20,657
Cash and Cash Equivalents, Ending	<u>\$ 6,747</u>	<u>\$ 26,456</u>	<u>\$ 12,544</u>	<u>\$ 22,832</u>	<u>\$ 6,794</u>	<u>\$ 3,090</u>	<u>\$ 78,463</u>	<u>\$ 23,581</u>

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash flows from operating activities:								
Operating income (loss)	\$ 1,056	\$ 3,200	\$ 517	\$ (328)	\$ (7,624)	\$ (1,195)	\$ (4,374)	\$ 1,493
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:								
Depreciation expense	815	3,952	2,275	415	128	1,500	9,085	1,386
Changes in:								
Receivables:								
Accounts and unbilled usage	15	(97)	(184)	93	15	(28)	(186)	-
Due from other governments	-	1	(115)	(1)	2	-	(113)	4
Inventories	-	-	(20)	-	-	-	(20)	27
Accounts payable	(49)	(15)	5	11	6	(5)	(47)	476
Accrued liabilities	(47)	(50)	(75)	(76)	(23)	(21)	(292)	413
Employee vested benefits	3	10	-	17	6	5	41	(1)
Due to other governments	-	-	(3)	223	-	-	220	-
Deposits	-	-	3	2	14	(1)	18	-
Other post employment benefits asset/obligation	-	27	29	36	8	(22)	78	7
Landfill closure/postclosure liability	-	-	-	829	-	-	829	-
Total adjustments	737	3,828	1,915	1,549	156	1,428	9,613	2,312
Net cash flows from operating activities	<u>\$ 1,793</u>	<u>\$ 7,028</u>	<u>\$ 2,432</u>	<u>\$ 1,221</u>	<u>\$ (7,468)</u>	<u>\$ 233</u>	<u>\$ 5,239</u>	<u>\$ 3,805</u>
Noncash Investing, Capital, and Financing Activities:								
Contributions of capital assets from government and others	\$ -	\$ 480	\$ 777	\$ -	\$ -	\$ 570	\$ 1,827	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY

**STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES**

June 30, 2012

(amounts expressed in thousands)

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	\$ 204
Accounts receivable	9
Interest receivable	1
Total assets	<u>\$ 214</u>
Liabilities	
Accrued liabilities	\$ 9
Due to agency	205
Total liabilities	<u>\$ 214</u>

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. Accounting Policies

The City of Iowa City, Iowa, (the City) was incorporated April 6, 1853, and operates under the Council/Manager form of government. The City provides a broad range of services to its citizens including general government, a mass transportation system, public safety, streets, parks, and cultural facilities. It also operates an airport, parking facilities, water treatment, wastewater treatment, stormwater collection, sanitation collection and disposal (including landfill operations), cable television, and a housing authority.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

The Reporting Entity

For financial reporting purposes, the City includes all of its funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. There were no component units required to be included.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Description of Funds

These financial statements include all funds owned or administered by the City or for which the City acts as custodian.

The City maintains its records on a modified cash basis of accounting under which only cash receipts, cash disbursements and encumbrances, investments, and bonded debt are recorded. These modified cash basis accounting records have been adjusted to the accrual or modified accrual basis, as necessary, to prepare the accompanying financial statements in accordance with GAAP.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The fund categories are governmental, proprietary, and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its “measurement focus.” The government-wide financial statements and proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Agency funds do not have a measurement focus and use the accrual basis of accounting. Under the accrual method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except those that conflict with GASB pronouncements, in accounting and reporting for these funds.

All governmental funds are accounted for using a current financial resources measurement focus, which generally includes only current assets and current liabilities on the balance sheet. The modified accrual basis of accounting is used for these funds. Under the modified accrual basis, revenue is recognized when susceptible to accrual, which is in the period in which it becomes both available (collectible within the current period or soon thereafter to be used to pay liabilities of the current period) and measurable (the amount of the transaction can be determined). Revenue accrued includes property taxes, intergovernmental revenue, and interest earned on investments (if they are collected within 60 days after the year-end). Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

The *Employee Benefits Fund* is used to account for the employee benefits related to those employees who are paid through governmental fund types, which are funded by a separate property tax levy.

The *Community Development Block Grant Fund* accounts for revenue from the U.S. Department of Housing and Urban Development's Community Development Block Grant programs.

The *Other Shared Revenue and Grants Fund* accounts for revenue from various sources, primarily road use tax monies from the State of Iowa and reimbursable programs funded by federal and state grants.

The *Debt Service Fund* accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

The *Parking Fund* is used to account for the operation and maintenance of the "on" and "off" street public parking facilities.

The *Wastewater Treatment Fund* is used to account for the operation and maintenance of the wastewater treatment facility and sanitary sewer system.

The *Water Fund* is used to account for the operation and maintenance of the water system.

The *Sanitation Fund* is used to account for the operation and maintenance of the solid waste collection system and landfill.

The *Housing Authority Fund* is used to account for the operations and activities of the City's low and moderate income housing assistance and public housing programs.

Additionally, the City reports internal service funds to account for goods and services provided by one department to other City departments on a cost reimbursement basis. The funds in this category are the *Equipment Maintenance Fund*, *Central Services Fund*, *Loss Reserve Fund*, and the *Information Technology Fund*.

The City also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has two fiduciary funds which are maintained as agency funds, with no attempt to create an ongoing fund balance. The funds in this category are *Project Green*, which accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City, and the *Library Foundation*, which accounts for donations that are made to support the library development office.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenditures and expenses, as appropriate, during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of landfill closure and post-closure care costs, total capacity of the landfill at closure, and calculation of the costs of claims incurred, but not reported.

Cash and Investments

The City maintains one primary demand deposit account through which the majority of its cash resources are processed. Substantially all investment activity is carried on by the City in an investment pool, except for those funds required to maintain their investments separately. The earnings on the pooled investments are allocated to the funds on a systematic basis. All investments are stated at fair value except for the Iowa Public Agency Investment Trust (IPAIT) which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

For the purpose of the Statement of Cash Flows, restricted and non-restricted investments with a maturity of three months or less when purchased are considered cash equivalents.

Receivables and Revenue Recognition

Property tax receivable is recognized in governmental funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Federal and state grants are recorded as receivables and the revenue is recognized during the period in which the City fulfills the requirements for receiving the grant awards, as long as the susceptible to accrual criteria are met.

Income from investments in all fund types and from charges for services in proprietary fund types is recognized when earned. Licenses and permits, fines and forfeitures, fees and refunds, charges for services (in governmental fund types), miscellaneous, and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Inventories

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the General Fund, Water Fund, and the Equipment Maintenance Fund. Inventories included in the governmental funds are valued at cost using the first-in, first out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased. Inventories of materials and supplies in the enterprise funds are determined by actual count and priced on the FIFO method.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City follows the policy of not capitalizing an asset with an initial, individual cost of less than \$50,000 for infrastructure assets and \$5,000 for remaining assets. Such assets are recorded at original purchase cost or at fair value at the date of donation when received as donated properties.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure	3 – 100 years
Buildings and structures	20 – 50 years
Improvements other than buildings	10 – 50 years
Vehicles	2 – 20 years
Other equipment	5 – 30 years

Bond Premiums and Discounts

Debt issued at a premium or discount is recorded net of the unamortized premium or discount. In the governmental funds, premiums and discounts are recorded entirely as other financing sources or uses in the year of issuance. In the proprietary funds and the government-wide statements, they are amortized over the life of the bonds.

Compensated Absences

Permanent City employees accumulate vacation and sick leave hours for subsequent use or for payment upon death, resignation, or retirement. The City pays its employees (except firefighters) one-half of the accumulated sick leave at the time of termination on the basis of the employee's then effective hourly base salary, provided that the dollar amount of the payment may be up to, but not exceed, the amount that an employee would be paid if the employee had terminated on June 28, 1985. Employees hired on or after June 29, 1985, are not eligible for payment of accumulated sick leave upon termination, death, or retirement.

Pensions

The provision for pension cost is recorded on the accrual basis (based on statutorily determined contribution rates), and the City's policy is to fund pension costs as they accrue.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Landfill Closing Costs

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 7).

Budgetary and Legal Appropriation and Amendment Policies

The City prepares and adopts an annual function budget, as prescribed by Iowa statutes, for all funds except internal service and agency funds. This is formalized in a separate budgetary report, the Financial Plan. This budget is adopted on or before March 15 of each year to become effective July 1, and constitutes the City's appropriation for each program and purpose specified therein until amended. The adopted budget must include the following:

- a. Expenditures for each function:
 - Public safety
 - Public works
 - Health and social services
 - Culture and recreation
 - Community and economic development
 - General government
 - Debt service
 - Capital projects
 - Business-type/enterprise
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation
- d. Transfers in and transfers out

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined, rather than at the individual fund level. Management can transfer appropriations within a function, within a fund type, and between fund types, without the approval of the governing body so long as the total budget by function area will not be exceeded. It is necessary, therefore, to aggregate the expenditures of the budgeted activities within the governmental fund types with the expenditures of the budgeted activities within the enterprise funds on a function basis, and to compare such function totals to function budgeted totals in order to demonstrate legal compliance with the budget. The City's budget for revenue focuses on the individual fund revenue rather than on aggregated fund totals.

The City formally adopts budgets for several funds that are not required by state law to be included in the annual function budget. Annual operating budgets are adopted for the internal service funds for management control purposes. Such budgets, however, are not legally required to be adopted under state statutes. These budgets are adopted and amended at the same time and in the same manner as the City's annual function budget.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

A City budget for the current fiscal year may be amended for any of the following purposes as prescribed by Iowa statute:

- a. To permit the appropriation and expenditure of unexpended, unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- c. To permit transfers between funds.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. The City's budget was amended as prescribed, and the effects of those amendments are shown in the accompanying budgetary comparison schedule. The original budget was increased by \$106,986,000 in revenues and other financing sources and by \$162,901,000 in expenditures and other financing uses. Appropriations, as adopted or amended and not encumbered, lapse at the end of the fiscal year.

As allowed by GASB Statement No. 41, Budgetary Comparison Schedules – Perspective Differences, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget.

Restricted Assets

Assets within the individual funds, which can be designated by the City Council for any use within the fund's purpose, are considered to be unrestricted assets. Assets, which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements, are classified as restricted assets. Liabilities, which are payable from restricted assets, are classified as such.

Classification of Fund Balances

Fund balances for the governmental funds are reported in classifications based on the nature of any limitations requiring the use of resources for specific purposes (see Note 9).

2. Compliance and Accountability

At June 30, 2012 the Capital Project Fund for bridge, street, and traffic control construction reported a deficit fund balance of \$287,000. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in 2013 to cover the capital expenditures. At June 30, 2012 the Economic Development Fund reported a deficit fund balance of \$79,000. The deficit is due to an Economic Development grant paid to a developer to rehabilitate a business in the downtown district. The City anticipates having sufficient debt service funds in 2013 to cover this expenditure.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

3. Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, national credit union administration, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by City Council and secured pursuant to the limitations set forth in Chapter 12C of the Code of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; Iowa Public Agency Investment Trust (IPAIT); certain registered open-end management investment companies registered with the Securities & Exchange Commission under the federal Investment Company Act of 1940; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. In addition, the City had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$55,894,121 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The City's investment policy limits the investment of general and operating funds to one year, unless a temporary extension of maturities is approved by the City Council. In such cases, the average maturity of each fund's portfolio shall not exceed 397 days. Funds not identified as operating funds may be invested in instruments whose maturities do not exceed five years at the time of purchase.

Credit risk. State law limits investments to commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with rating restrictions. The investment in Iowa Public Agency Investment Trust is not rated by Moody's Investors service as it is a state security that is backed by the full faith and credit of the issuing government and is not subject to credit risk.

Concentration of credit risk. The City investment policy limits the amount that may be invested in any one issuer to a maximum amount approved by the City Council.

The aforementioned Iowa Public Agency Investment Trust (IPAIT) represents an investment in a pool managed by others. IPAIT is a common trust established under Iowa law pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. IPAIT is registered under the Investment Company Act of 1940.

The IPAIT portfolios have followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and were registered with the Securities and Exchange Commission (SEC).

Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with other funds. These funds are the employee benefits, other shared revenue, and sanitation funds.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

4. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2012, consisted of the following:

	Advances from				Total
	General	Community Development Block Grant	Debt Service	Sanitation	
<u>Advances to:</u>					
General	\$ -	\$ -	\$ -	\$ 2,150,027	\$ 2,150,027
Other Shared Revenue and Grants	-	-	186,234	-	186,234
Nonmajor Governmental	341,084	-	-	-	341,084
Parking	-	-	-	507,443	507,443
Housing Authority	-	18,000	-	-	18,000
Nonmajor Enterprise	-	-	-	1,138,898	1,138,898
	-	-	-	1,138,898	1,138,898
 Total	\$ 341,084	\$ 18,000	\$ 186,234	\$ 3,796,368	\$ 4,341,686

Interfund balances at June 30, 2012, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans, land and negative cash balance funding. \$1,101,929 of the \$1,138,898 advances to the Nonmajor Enterprise Funds and \$328,687 of the \$507,443 advance to the Parking Fund are not expected to be repaid within the next year. \$1,987,142 of the \$2,150,027 advances to the General Fund and \$174,769 of the \$186,234 advance to the Other Shared Revenue and Grants Fund are not expected to be repaid within the next year. The \$341,084 advance to the Nonmajor Governmental Funds is expected to be repaid within the next year. None of the \$18,000 advance to Housing Authority is expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	Transfer from					
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Nonmajor Governmental	Parking
<u>Transfer to:</u>						
General	\$ -	\$ 9,585,622	\$ -	\$ 69,996	\$ 6,195	\$ -
Debt service	134,436	-	-	153,672	-	-
Other shared revenue and grants	78,862	416,369	-	-	82,378	-
Nonmajor governmental	5,110,939	-	-	460,561	2,722,273	15,640
Wastewater treatment	479,402	-	-	191,722	1,783,005	-
Water	-	-	-	154,080	323,748	-
Housing Authority	-	-	37,747	-	-	-
Nonmajor enterprise	100,000	-	-	-	1,241,421	-
Internal Service	43,767	-	-	432	5,616	-
Total Transfer to	\$ 5,947,406	\$ 10,001,991	\$ 37,747	\$ 1,030,463	\$ 6,164,636	\$ 15,640

(continued)

Transfers are used to move revenues and bond proceeds from the fund that State statutes or the budget requires to collect them to the fund that the State statutes or the budget requires to expend them.

In the fund financial statements, total transfers in and transfers out of \$23,861,000 are less than total transfers of \$24,079,216 because of the treatment of transfers of capital assets to and from the governmental activities capital assets.

During the year, a capital asset related to public safety with a value of \$4,100 was transferred to governmental activities capital assets from Equipment. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Equipment did report a disposal for the capital resources given.

Also during the year, construction in progress related to construction along 420th Street and Northside Marketplace Streetscape with a total value of \$214,083 were transferred from governmental activities capital asset to Water and Stormwater, \$79,934 and \$134,149 respectively. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Water and Stormwater did report capital contributions for the capital resources received.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Transfer from						
Wastewater Treatment	Water	Sanitation	Housing Authority	Nonmajor Enterprise	Internal Service	Total Transfer from
\$ 23,034	\$ 23,034	\$ -	\$ 43,000	\$ 66,517	\$ -	\$ 9,817,398
-	-	-	-	-	-	288,108
-	-	-	-	-	-	577,609
336,253	86,728	11,628	-	72,236	-	8,816,258
-	-	-	-	-	-	2,454,129
-	-	-	-	-	-	477,828
-	-	-	-	-	-	37,747
-	-	-	-	-	-	1,341,421
-	-	144	-	-	576	50,535
<u>\$ 359,287</u>	<u>\$ 109,762</u>	<u>\$ 11,772</u>	<u>\$ 43,000</u>	<u>\$ 138,753</u>	<u>\$ 576</u>	23,861,033
Transfers to governmental activities capital assets from internal service funds						4,100
Transfers from governmental activities capital assets to enterprise funds						214,083
						<u>\$ 24,079,216</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

5. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning July 1, 2011</u>	<u>Acquisitions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 23,887,472	\$ 1,709,538	\$ 633,398	\$ 24,963,612
Construction in progress	<u>16,007,754</u>	<u>142,742</u>	<u>3,321,276</u>	<u>12,829,220</u>
Total capital assets, not being depreciated	<u>39,895,226</u>	<u>1,852,280</u>	<u>3,954,674</u>	<u>37,792,832</u>
Capital assets, being depreciated:				
Buildings	63,695,152	3,595,319	61,829	67,228,642
Improvements other than buildings	5,592,658	764,613	11,224	6,346,047
Machinery and equipment	44,820,729	4,303,091	1,975,587	47,148,233
Infrastructure	<u>106,783,345</u>	<u>5,891,651</u>	<u>-</u>	<u>112,674,996</u>
Total capital assets being depreciated	<u>220,891,884</u>	<u>14,554,674</u>	<u>2,048,640</u>	<u>233,397,918</u>
Less accumulated depreciation for:				
Buildings	18,947,980	1,711,284	53,173	20,606,091
Improvements other than buildings	2,009,426	244,615	11,224	2,242,817
Machinery and equipment	28,173,526	3,455,998	1,811,030	29,818,494
Infrastructure	<u>27,621,238</u>	<u>2,412,251</u>	<u>-</u>	<u>30,033,489</u>
Total accumulated depreciation	<u>76,752,170</u>	<u>7,824,148</u>	<u>1,875,427</u>	<u>82,700,891</u>
Total capital assets, being depreciated, net	<u>144,139,714</u>	<u>6,730,526</u>	<u>173,213</u>	<u>150,697,027</u>
Governmental activities capital assets, net	<u>\$ 184,034,940</u>	<u>\$ 8,582,806</u>	<u>\$ 4,127,887</u>	<u>\$ 188,489,859</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

	<u>Beginning July 1, 2011</u>	<u>Acquisitions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance June 30, 2012</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 25,823,805	\$ 132,350	\$ 70,495	\$ 25,885,660
Construction in progress	<u>19,533,140</u>	<u>4,527,724</u>	<u>7,943,007</u>	<u>16,117,857</u>
Total capital assets, not being depreciated	<u>45,356,945</u>	<u>4,660,074</u>	<u>8,013,502</u>	<u>42,003,517</u>
Capital assets, being depreciated:				
Buildings	119,706,766	6,456,477	250,148	125,913,095
Improvements other than buildings	10,559,851	-	-	10,559,851
Machinery and equipment	22,306,934	-	155,575	22,151,359
Infrastructure	<u>198,063,655</u>	<u>6,636,184</u>	<u>17,833</u>	<u>204,682,006</u>
Total capital assets being depreciated	<u>350,637,206</u>	<u>13,092,661</u>	<u>423,556</u>	<u>363,306,311</u>
Less accumulated depreciation for:				
Buildings	50,561,515	3,307,857	25,015	53,844,357
Improvements other than buildings	3,998,975	447,008	-	4,445,983
Machinery and equipment	14,236,770	956,986	133,850	15,059,906
Infrastructure	<u>62,032,992</u>	<u>4,373,932</u>	<u>6,776</u>	<u>66,400,148</u>
Total accumulated depreciation	<u>130,830,252</u>	<u>9,085,783</u>	<u>165,641</u>	<u>139,750,394</u>
Total capital assets, being depreciated, net	<u>219,806,954</u>	<u>4,006,878</u>	<u>257,915</u>	<u>223,555,917</u>
Business-type activities capital assets, net	<u>\$ 265,163,899</u>	<u>\$ 8,666,952</u>	<u>\$ 8,271,417</u>	<u>\$ 265,559,434</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 911,141
Public works				3,183,854
Culture and recreation				2,044,011
Community and economic development				39,578
General government				259,477
Internal service funds				<u>1,386,087</u>
Total depreciation expense - governmental activities				<u>\$ 7,824,148</u>
Business-type activities:				
Parking				\$ 815,494
Wastewater treatment				3,951,913
Water				2,274,681
Sanitation				414,837
Housing authority				128,284
Nonmajor enterprise				<u>1,500,574</u>
Total depreciation expense - business-type activities				<u>\$ 9,085,783</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

As a result of a fire to the City's most recent landfill cell, there was an impairment loss of \$4,999,646 recorded for fiscal year 2012. This amount was derived from a survey conducted by an engineering and technical consultant, Howard R Green Inc., that reported 64% of this cell had been destroyed.

6. Long Term Debt

Changes in Debt for Bonds

Bond debt activity for the year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 77,428,782	\$ 9,690,000	\$ 13,293,782	\$ 73,825,000	\$ 11,255,000
Plus: Unamortized Premium	315,175	165,454	79,975	400,654	81,711
	<u>\$ 77,743,957</u>	<u>\$ 9,855,454</u>	<u>\$ 13,373,757</u>	<u>\$ 74,225,654</u>	<u>\$ 11,336,711</u>
Business-type activities:					
General obligation bonds	\$ 3,146,218	\$ -	\$ 1,651,218	\$ 1,495,000	\$ 305,000
Less: Unamortized Discounts	15,369	-	3,842	11,527	3,842
Total general obligation bonds	<u>3,130,849</u>	<u>-</u>	<u>1,647,376</u>	<u>1,483,473</u>	<u>301,158</u>
Revenue bonds	74,965,000	4,950,000	11,730,000	68,185,000	6,225,000
Plus: Unamortized Premium	892,306	39,909	57,908	874,307	57,908
Total revenue bonds	<u>75,857,306</u>	<u>4,989,909</u>	<u>11,787,908</u>	<u>69,059,307</u>	<u>6,282,908</u>
	<u>\$ 78,988,155</u>	<u>\$ 4,989,909</u>	<u>\$ 13,435,284</u>	<u>\$ 70,542,780</u>	<u>\$ 6,584,066</u>

General Obligation Bonds

Various issues of general obligation bonds totaling \$75,320,000 are outstanding as of June 30, 2012. The bonds have interest rates ranging from 0.5% to 5.6% and mature in varying annual amounts ranging from \$100,000 to \$1,955,000 per issue, with the final maturities due in the year ending June 30, 2023. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

Portions of several general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general long-term debt principal and interest. The liability for those bonds that are expected to be paid by enterprise funds is included in those funds.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 11,255,000	\$ 2,300,666	\$ 305,000	\$ 55,458
2014	10,680,000	1,996,145	300,000	44,325
2015	10,560,000	1,672,940	300,000	33,225
2016	10,025,000	1,342,745	295,000	22,125
2017	8,450,000	1,024,915	295,000	11,062
2018-2022	22,195,000	1,924,956	-	-
2023-2027	660,000	35,640	-	-
Total	\$ 73,825,000	\$ 10,298,007	\$ 1,495,000	\$ 166,195

Revenue Bonds

As of June 30, 2012, the following unmatured revenue bond issues are outstanding:

	Parking	Wastewater Treatment	Water
Original issue amount	\$ 9,110,000	\$ 48,020,000	\$ 21,815,000
Interest rates	3.0% to 5.0%	3.0% to 5.0%	1.5% to 4.5%
Annual maturities	\$ 515,000 to \$ 770,000	\$ 435,000 to \$ 2,750,000	\$ 370,000 to \$ 835,000
Amount outstanding	\$ 8,190,000	\$ 40,070,000	\$ 19,925,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	\$ 6,225,000	\$ 2,628,391
2014	5,115,000	2,376,928
2015	5,290,000	2,206,665
2016	5,500,000	2,015,284
2017	5,670,000	1,807,671
2018-2022	29,395,000	5,509,628
2023-2027	10,990,000	879,248
	\$ 68,185,000	\$ 17,423,815

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

The revenue bond ordinances required that wastewater treatment, parking system, and water revenues be set aside into separate and special accounts as they are received. The use and the amounts to be included in the accounts are as follows:

<u>Account</u>	<u>Amount</u>
(a) Revenue Bond and Interest Sinking Reserve	Amount sufficient to pay current bond and interest maturities.
(b) Revenue Debt Service Reserve	Amount required to be deposited in the Revenue Bond and Interest Reserve until the reserve fund equals: Parking Revenue and Water Revenue bonds – maximum debt service due on the bonds in any succeeding fiscal year. Wastewater Revenue bonds – 125% of the average principal and interest payments over the life of all the Wastewater Revenue bonds.
(c) Improvement Reserve	\$20,000 per month until the reserve balance equals or exceeds \$2,000,000 for Wastewater Revenue bonds and \$5,000 per month until the reserve balance equals or exceeds \$450,000 for Water Revenue bonds, with no further deposits once the minimum balance is reached. If the reserve falls below the required minimum, monthly transfers in the aforementioned amounts will resume.

On June 20, 2012, the City issued \$4,950,000 of water revenue bonds for a current refunding of \$5,015,000 of water revenue bonds on July 1, 2012. As a result, the water revenue bonds from that issue are considered to be defeased and the liability has been removed from the financial statements. The refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$830,184 in future debt service payments and an economic gain of \$688,741.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2012, are comprised of the following issues:

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2012
General Obligation Bonds:					
Taxable-Urban Renewal	Mar. 2004	\$ 7,305,000	4.0 - 5.4	6/23	\$ 5,595,000
Multi-Purpose	Mar. 2005	7,020,000	3.0 - 4.0	6/15	2,375,000
Multi-Purpose	Jun. 2006	6,265,000	3.625 - 4.0	6/16	2,855,000
Multi-Purpose	Jun. 2006	1,000,000	5.5 - 5.6	6/16	475,000
Refunded Water					
Construction (1)	Sep. 2006	3,350,000	3.6 - 3.75	6/17	1,495,000
Multi-Purpose	May 2007	8,870,000	3.75	6/17	4,845,000
Multi-Purpose	June 2008	9,150,000	3.25 - 3.75	6/18	5,850,000
Refunded Multi-Purpose (2)	Oct. 2008	17,005,000	3.0 - 3.75	6/18	9,350,000
Multi-Purpose	June 2009	6,685,000	2.5 - 4.0	6/19	4,855,000
Taxable- Housing Improvements	June 2009	505,000	1.5 - 3.0	6/14	205,000
Refunded Multi-Purpose (3)	June 2009	5,840,000	2.0 - 4.0	6/16	3,465,000
Multi-Purpose	Aug. 2010	7,420,000	2.0 - 2.75	6/20	5,935,000
Multi-Purpose	June 2011	7,925,000	2.0 - 3.625	6/21	7,180,000
Taxable- Housing Improvements	June 2011	820,000	0.65 - 1.1	6/13	420,000
Refunded Multi-Purpose and					
Library Construction (4)	June 2011	10,930,000	2.0 - 3.625	6/21	10,730,000
Multi-Purpose	June 2012	9,070,000	2.0 - 2.25	6/22	9,070,000
Taxable-Urban Renewal	June 2012	620,000	0.5 - 0.6	6/14	620,000
Total General Obligation Bonds					<u>\$ 75,320,000</u>
	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2012
Revenue Bonds:					
Refunded Parking Bonds (5)	Nov. 2009	\$ 9,110,000	3.0 - 5.0	7/24	\$ 8,190,000
Refunded Wastewater					
Treatment Bonds (6)	Oct. 2008	24,280,000	3.0 - 5.0	7/22	19,560,000
Refunded Wastewater					
Treatment Bonds (7)	May 2009	8,660,000	3.5 - 5.0	7/25	8,110,000
Refunded Wastewater					
Treatment Bonds (8)	Apr. 2010	15,080,000	3.0 - 4.0	7/20	12,400,000
Refunded Water Bonds (9)	Oct. 2008	7,115,000	3.0 - 4.375	7/24	6,070,000
Refunded Water Bonds (10)	May 2009	9,750,000	4.0 - 4.5	7/25	8,905,000
Refunded Water Bonds (11)	June 2012	4,950,000	1.5 - 2.1	7/22	4,950,000
Total Revenue Bonds					<u>\$ 68,185,000</u>
					<u>\$ 143,505,000</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

- (1) This bond issue has the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund. Also, this bond issue refunded the November 1997 Water Construction General Obligation Bonds.
- (2) This bond issue refunded the April 1998, March 1999, and July 2000 General Obligation Bonds.
- (3) This bond issue refunded the June 2001 General Obligation Bonds.
- (4) This bond issue refunded the May 2002 General Obligation Bonds.
- (5) This bond issue refunded the December 1999 Parking Revenue Bonds.
- (6) This bond issue refunded the March 1996, May 1997, and January 1999 Wastewater Revenue Bonds.
- (7) This bond issue refunded the October 2000 Wastewater Revenue Bonds.
- (8) This bond issue refunded the December 2001 and April 2002 Wastewater Revenue Bonds.
- (9) This bond issue refunded the May 1999 Water Revenue Bonds.
- (10) This bond issue refunded the December 2000 Water Revenue Bonds.
- (11) This bond issue refunded the October 2002 Water Revenue Bonds.

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds, Facility Refunding Revenue Bonds, and Midwestern Disaster Area Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction, and renovation of industrial and commercial facilities deemed to be in the public interest. The bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans. All payments on the bonds are made by the private sector entities directly to a bond trustee, who is a third party financial institution, and in turn, disburses the payment to the respective bond holders. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2012, there were three series of Industrial Development Revenue Bonds, Facility Refunding Revenue Bonds, and Midwest Disaster Area Revenue Bonds outstanding, with an aggregate principal amount payable of \$43,405,337.

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2012, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Assessed valuation:

Real property	\$ 4,491,302,568
Utilities	<u>48,337,968</u>
Total valuation	<u>\$ 4,539,640,536</u>
Debt limit, 5% of total assessed valuation	\$ 226,982,027
Debt applicable to debt limit:	
General obligation bonds	<u>75,320,000</u>
Legal debt margin	<u>\$ 151,662,027</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

7. Other Long-term Liabilities

Notes Payable

Changes in Long-Term Liabilities - Notes Payable

Note Payable activity for the year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 211,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,000</u>	<u>\$ -</u>

A note payable was issued to Greater Iowa City Housing Fellowship for the purchase of an 11 unit apartment building for low income and disabled housing in the Peninsula Neighborhood. The terms of the loan are 1%, interest only payments for twenty years with a final balloon payment of \$211,000 due on August 1, 2025.

Employee Vested Benefits

Changes in Long-Term Liabilities - Employee Vested benefits

Employee Vested Benefits activity for the year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 2,172,907</u>	<u>\$ 1,238,766</u>	<u>\$ 1,180,751</u>	<u>\$ 2,230,922</u>	<u>\$ 1,225,647</u>
Business-type activities:	<u>\$ 519,405</u>	<u>\$ 331,517</u>	<u>\$ 290,601</u>	<u>\$ 560,321</u>	<u>\$ 316,984</u>

For the governmental activities, employee vested benefits are generally liquidated by the General Fund and Community Development Block Grant Fund.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Landfill Closure / Post-Closure Care Costs

Changes in Long-Term Liabilities - Landfill Closure Post-closure Care Costs

Landfill Closure Post-closure care activity for the year ended June 30, 2012, was as follows:

	July 1, 2011	Issues	Retirements	June 30, 2012	Due Within One Year
Business-type activities:	\$ 11,754,654	\$ 829,445	\$ -	\$ 12,584,099	\$ -

In August 1993, the GASB issued Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs* (the Statement). Under these rules, in addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The estimated liability for landfill closure and post-closure care costs as of June 30, 2012, is \$12,584,099, which is based on 91.1% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$1,229,402 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2019. The estimated total current cost of the landfill closure and post-closure care costs at June 30, 2012, was determined by engineers from Howard R. Green Company and approximated at \$13,813,500. It is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2012. These amounts are based on an estimated post-closure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by federal and state laws and regulations to provide some form of financial assurance to finance closure and post-closure care. The City will meet its financial assurance obligations through the issuance of general obligation bonds. As of June 30, 2012, the Sanitation Fund had \$14,450,385 in related equity in pooled cash and investments, at fair value designated for satisfaction of post-closure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of post-closure care costs, anticipated future inflation costs and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Other Post Employment Benefits

Changes in Long-Term Liabilities - Other Post Employment Benefits

	July 1, 2011	Net OPEB Obligation Current Year	June 30, 2012
Governmental activities:	\$ 1,705,631	\$ 352,244	\$ 2,057,875
Business-type activities:	\$ 551,710	\$ 77,213	\$ 628,923

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description: The City operates one self-funded medical and dental for all employees, which is offered to current and retired employees and their dependents. All full-time employees who retire or terminate/resign and their eligible dependents are offered the following post-employment benefit options:

Health insurance and dental insurance – The option of continuing with the City’s health insurance plan at the individual’s expense. These benefits cease upon Medicare eligibility.

Life insurance – The option of converting the employee’s City-paid policy to an individual policy at the individual’s expense with the City’s life insurance carrier.

Long-term disability – For employees who terminate/resign and have been on the plan for a minimum of one year, the option of converting the employee’s City-paid group policy to a personal policy at the individual’s expense with the City’s long-term disability insurance carrier.

The above options, while at the individual’s own expense, are included within the City’s overall insurance package, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy: The plan member’s contribution requirements are established and may be amended by the City. The City currently finances the benefit plans on a pay-as-you-go basis.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Annual OPEB Cost and Net OPEB Obligation: The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plans, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 591,292
Interest on net OPEB obligation	90,294
Adjustment to annual required contribution	<u>(80,621)</u>
Annual OPEB costs	600,965
Contributions made	<u>(171,508)</u>
Increase in net OPEB obligation	429,457
Net OPEB obligation beginning of year	<u>2,257,341</u>
Net OPEB obligation end of year	\$2,686,798

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed from City</u>	Net OPEB <u>Obligation</u>
June 30, 2010	\$1,291,319	16.3%	\$1,746,488
June 30, 2011	\$ 598,776	14.7%	\$2,257,342
June 30, 2012	\$ 600,965	28.5%	\$2,686,798

Funded Status and Funding Progress: As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$6,893,438, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,893,438. The covered payroll (annual payroll of active employees covered by the plans) was \$29,842,842 and the ratio of the UAAL to covered payroll was 23.1%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumption about future employments, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual review as actual results are compared with past expectations and new estimates are made about the future.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

The required schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

As of the July 1, 2010 actuarial valuation date, the actuarial cost method used is the entry age normal method. The actuarial assumption includes a 4% discount rate and an inflation rate of 3% per annum. The projected annual medical trend rate is 2.2%. The ultimate medical trend rate is 6%. The medical trend rate is increased to 10.0% for year two and then reduced by 0.5% each year until reaching the 6% ultimate trend rate. The projected annual dental trend rate is 2.9%. The ultimate dental trend rate is 4%. The dental trend rate is increased to 5.5% for year two and then reduced by 0.5% each year until reaching the 4% ultimate trend rate.

Mortality rates for active employees are from the RP-2000 Employee Table and for retirees are from RP-2000 Healthy Annuitant Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the MFPSI and IPERS pension plan turnover tables, adjusted to be consistent with recent City experience.

Projected claim costs of the health and dental plans are \$765.61 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expenses over 30 years on an open basis.

8. Short Term Debt

Changes in Short-Term Liabilities - Notes Payable

Notes Payable activity for the year ended June 30, 2012, was as follows:

	July 1, 2011	Issues	Retirements	June 30, 2012	Due Within One Year
Governmental activities:	\$ 1,615,500	\$ 1,565,405	\$ 2,375,905	\$ 805,000	\$ 805,000

During FY12, the City entered into additional multiple short term loans totaling \$1,565,405 and repaid multiple short term loans totaling \$2,375,905. The outstanding loans mature one year from the date of the loan and bear interest rates ranging from 2% to 3.25%. The loans were used to fund the acquisition and rehabilitation of single family homes as part of the UniverCity Neighborhood Partnership Program (UniverCity). UniverCity is a cooperative effort of the City of Iowa City and the University of Iowa dedicated to ensuring that the University of Iowa Campus and surrounding neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The City secured a \$1.25 million I-JOBS grant that allows the program to acquire and rehabilitate 25 homes in the

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

designated UniverCity Neighborhoods. The short term loans have been repaid and will be repaid with the proceeds from the sale of the rehabilitated homes.

9. Fund Equity

Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

- The Nonspendable classification contains amounts not in spendable form or legally or contractually required to be maintained intact.
- Restricted amounts contain restraint on their use externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority. The highest level of decision-making authority is the City Council and it takes a resolution to establish, modify or rescind a fund balance commitment.
- Amounts intended to be used for specific purposes are Assigned. Assignments should not cause deficits in the Unassigned fund balance. The Finance Director has been delegated authority by the City Council through a resolution to assign amounts to be used for specific purposes.
- Unassigned fund balance is the residual classification for the General Fund.

The City would use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Components of Fund Balance

	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Debt Service	Other Governmental Funds	Total
Nonspendable:							
Inventory	\$ 244,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,538
Perpetual Care Principal	69,000	-	-	-	-	-	69,000
Total Nonspendable	<u>313,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,538</u>
Restricted for:							
Public Safety	464,039	-	-	-	-	-	464,039
Local Option Sales Tax	23,265,151	-	-	-	-	-	23,265,151
Debt Service	-	-	-	-	11,008,903	-	11,008,903
GO Bond Projects	-	-	-	-	-	20,883,498	20,883,498
State Funding	-	-	-	599,430	-	-	599,430
Grant Agreement	-	-	387,292	-	-	-	387,292
Public Safety Employee Benefits	-	1,799,526	-	-	-	-	1,799,526
Other Restricted	49,661	-	-	-	-	174,927	224,588
Total Restricted	<u>23,778,851</u>	<u>1,799,526</u>	<u>387,292</u>	<u>599,430</u>	<u>11,008,903</u>	<u>21,058,425</u>	<u>58,632,427</u>
Assigned to:							
Library Programs	575,818	-	-	-	-	-	575,818
Senior Center Programs	59,086	-	-	-	-	-	59,086
Replacement and Acquisition Reserves	4,469,978	-	-	-	-	-	4,469,978
Other Assigned	85,724	-	-	-	-	-	85,724
Total Assigned	<u>5,190,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,190,606</u>
Unassigned:	<u>14,273,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(365,781)</u>	<u>13,907,375</u>
Total Fund Balances	<u>\$ 43,556,151</u>	<u>\$ 1,799,526</u>	<u>\$ 387,292</u>	<u>\$ 599,430</u>	<u>\$ 11,008,903</u>	<u>\$ 20,692,644</u>	<u>\$ 78,043,946</u>

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2012 the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$400,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$21,000,000 annual aggregate of losses paid. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses. Settled claims have not exceeded this commercial coverage in any of the past twenty four fiscal years.

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2012 based on the requirements of GASB Statement No.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Loss Reserve Fund's claims liability amount for property, liability, and workers' compensation for the years ended June 30, 2012 and 2011 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2010 – 2011	\$ 1,602,000	\$ 92,000	\$ 994,000	\$ 700,000
2011 – 2012	700,000	691,000	207,000	1,184,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$125,000 per employee with an aggregate stop-loss of \$9,166,913. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing\administrative fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2012 and 2011 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2010 – 2011	\$ 714,000	\$ 6,259,000	\$ 6,245,000	\$ 728,000
2011 – 2012	728,000	6,147,000	6,159,000	716,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

11. Commitments and Contingencies

The total outstanding contractual commitments as of June 30, 2012 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Bridge, street and traffic control construction	Paving and bridge construction, engineering design and consulting	\$ 3,180,607
Other construction	Public works, culture & recreation, Economic Dev, Fire & Police, construction	1,466,817
Parking	Garage improvements and repair & maintenance	51,146
Wastewater	South wastewater plant expansion and wastewater main repairs	44,197,342
Water	Water main construction and flood mitigation construction	641,685
Airport	Runway grading and paving	767,391
Stormwater	Stormwater system improvements	38,338
		<u>\$ 50,343,326</u>

The total significant encumbrances as of June 30, 2012 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Other Governmental Other Construction	Transit buses and police equipment	\$ 793,797
		<u>\$ 793,797</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

12. Contingent Liabilities

Litigation

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees, with such lawsuits typically involving claims of improper police action, unlawful taking of property by zoning, negligence, appeals of condemnations, and discrimination. Total damages claimed are substantial; however, it has been the City's experience that such actions are settled for amounts substantially less than claimed amounts. The City's management estimates that the potential claims against the City, not covered by various insurance policies, would not materially affect the financial condition of the City. The City has the authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

13. Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI or the Plan), which is a cost-sharing multiple-employer defined benefit public police and fire employees retirement system. All fire fighters and police officers appointed under civil service participate in the Plan. The Plan provides retirement, disability, and death benefits that are established under state statute. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive Suite 201, West Des Moines, Iowa 50266 or the report may be obtained from website www.mfprsi.org under the publications link. A member may retire at age 55 with 22 years of employment, and receive full benefits that are equal to 66% of the member's average final compensation. Additionally, members retiring with more than 22 years of service will receive an additional 2% of the member's average final compensation for up to 8 years of additional service. Other benefits are also calculated at varying percentages of the average final compensation. Benefits vest after four years of service.

Member contribution rates are established by state statute. For the fiscal year ended June 30, 2012, members contributed 9.40%. The City's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the state to the plan may further reduce the City's contribution rate. However, the City's contribution rate may not be less than 17% of earnable compensation.

The City was required to contribute 24.76% of earnable compensation of each member in FY 2012, 19.9% of earnable compensation in FY 2011, and 17.0% of earnable compensation in FY 2010. The contributions paid by the City for the years ended June 30, 2010, 2011, and 2012, were \$1,349,558, \$1,826,791, and \$2,232,637 respectively, and was equal to the required contributions for each year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries.

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

All employees eighteen or older, except temporary employees of six months or less of employment duration, who do not participate in any other public retirement system in the state are eligible and must participate in IPERS. The pension plan provides retirement and death benefits that are established by state statute. Generally, a member may retire at the age of 65, or any time after age 62 and 20 years or more of service, or when age plus years of service equals or exceeds 88, and receive unreduced (for age) benefits. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after seven years of service or after attaining the age of 55. Full benefits are equal to 60% of the average of the highest five years of covered wages times years of service divided by 30.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2011, and 2012, were \$1,767,350, \$1,969,422, and \$2,245,326 respectively, and were equal to the required contributions for each year.

14. Additional Revenue Bond Disclosures

Water System

The Water Division is comprised of five parts: Administration, Treatment Plant, Customer Service, Distribution, and Public Information/Education. There are a total of 32.75 (FTE) employees who work in the Water Division. This division serves 68,947 people and has almost 25,800 customers. The average daily use for fiscal year 2012 was approximately 5.50 million gallons per day (MGD). A peak flow of over 8.6 MGD was experienced during the summer of 2012.

Water Sources: The primary source of water for the City is the alluvial aquifer collector wells along the Iowa River. Four collector wells can provide approximately 10.5 MGD. Additional sources include two Jordan aquifer wells which can provide 2.0 MGD; four Siluran aquifer wells which can provide 1.0 MGD; a sand pit that can provide 1.0 MGD; a river intake that can provide 3.0 MGD; for a total of approximately 17.5 MGD maximum capacity.

Water Treatment Processes: The facilities include one treatment plant (constructed in 2003) located at 80 Stephen Atkins Drive. The plant is a surface water plant design that includes aeration, lime softening (coagulation/flocculation/sedimentation), and granular activated carbon filtration processes with fluoridation and free chlorination. The grade four water facility employs operators that perform over 200 water quality tests per day in-house and collect samples for testing at the University Hygienic Laboratory. This testing ensures that the water meets all of the Safe Drinking Water Act Standards.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Distribution System: The water flows through approximately 266 miles of water mains and includes over 25,000 service connections. The distribution piping consists of cast iron, ductile and PVC main that ranges in size from 2” to 30”. The treatment plant site has effective water storage capacity of 1.75 million gallons of water; in addition there are four remote ground storage reservoirs (with pumping stations) that add up to remote effective storage capacity of 6.0 million gallons of water. The water system also provides for fire protection with approximately 3,278 public and private hydrants located throughout the community.

Billing and Collections: Customers are billed monthly on a combined utility statement which includes charges for sewer, water, solid waste, and curbside recycling. Under present City policy and City ordinances, utility bills are due when received but contain a delinquency date which provides 15 days for payment. If payment is not made in full within 22 days, a notice is mailed which allows 25 calendar days before service is disconnected. The City’s bad debt write-offs have been less than 0.5% of gross revenues for the past three years.

Rates:

The following rates and charges were effective July 1, 2011.

Water Service Charge Minimums (includes up to the first 100 cubic feet (c.f.))

Meter Size <u>(Inches)</u>	<u>Charge</u>	Meter Size <u>(Inches)</u>	<u>Charge</u>
5/8”	\$6.41	2”	\$22.14
3/4”	7.00	3”	40.91
1”	8.26	4”	71.37
1 1/2”	16.47	6”	143.61

Monthly Usage in excess of 100 cubic feet (c.f.)

101 – 3,000	\$2.99 per 100 c.f.
3,001 and over	\$2.15 per 100 c.f.

Single Purpose Meter Charges

First 100 (c.f)	Minimum Monthly Charge
Usage in excess of 100 cubic feet (c.f.)	\$2.99 per 100 c.f.

Changes in water rates over the last ten fiscal years:

2003	- 5%
2004	- 5%
2005	0%
2006	0%
2007	- 5%
2008	0%
2009	0%
2010	0%
2011	0%
2012	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Financial Information: The following table summarizes the results of operations for the Water System for the fiscal years ended June 30, 2012, 2011, and 2010.

**WATER SYSTEM
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

Last Three Fiscal Years
(amounts expressed in thousands)

	2012	2011	2010
Operating Revenues:			
Charges for services	\$ 8,419	\$ 8,054	\$ 7,957
Miscellaneous	26	42	28
Total operating revenues	8,445	8,096	7,985
Operating Expenses:			
Personal services	2,554	2,407	2,246
Commodities	967	929	987
Services and charges	2,132	2,128	1,920
	5,653	5,464	5,153
Depreciation	2,275	2,230	2,180
Total operating expenses	7,928	7,694	7,333
Operating income	517	402	652
Nonoperating Revenues (Expenses):			
Gain (Loss) on disposal of capital assets	(10)	-	5
Insurance Recoveries	-	2	33
Operating Grants	-	-	6
Interest income	204	256	312
Interest expense	(964)	(1,032)	(1,092)
Total nonoperating revenues (expenses)	(770)	(774)	(736)
Income before capital contributions and transfers	(253)	(372)	(84)
Capital contributions	1,057	973	572
Transfers in	478	795	756
Transfers out	(110)	(336)	(343)
Change in net assets	1,172	1,060	901
Net Assets, Beginning	62,102	61,042	60,141
Net Assets, Ending	\$ 63,274	\$ 62,102	\$ 61,042

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

The following table summarizes the budget and actual figures for the Water System for the fiscal year ended June 30, 2012 and the budget for the fiscal year ended June 30, 2013 on a cash basis.

**WATER SYSTEM
BUDGET AND ACTUALS (CASH BASIS)**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>	<u>FY13 Budget</u>
Charges for services	\$ 8,226	\$ 8,502	96.75%	\$ 8,185
Interest income	567	173	327.75%	141
Miscellaneous	27	28	96.43%	39
Operating grants	37	2,445	1.51%	2,284
Transfers from other funds	-	336	0.00%	336
Bond sales	4,990	5,060	98.62%	-
Total Receipts	<u>\$ 13,847</u>	<u>\$ 16,544</u>	<u>83.70%</u>	<u>\$ 10,985</u>
Personal services	\$ 2,710	\$ 2,715	99.82%	\$ 2,640
Commodities	529	749	70.63%	685
Services and charges	2,173	2,305	94.27%	2,061
Capital outlay	803	5,541	14.49%	4,248
Transfer to capital project funds	87	942	9.24%	1,595
Operating subsidy	23	23	100.00%	24
Debt service payments	3,831	3,869	99.02%	8,216
Total Disbursements	<u>\$ 10,156</u>	<u>\$ 16,144</u>	<u>62.91%</u>	<u>\$ 19,469</u>

The following table summarizes the Water System funds on hand for the fiscal years ended June 30, 2012, 2011, and 2010.

**WATER SYSTEM
FUNDS ON HAND (CASH AND INVESTMENTS)**

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Funds	\$ 8,284	\$ 9,607	\$ 11,636
Restricted and Designated Funds	4,260	4,665	4,595
Total Funds on Hand	<u>\$ 12,544</u>	<u>\$ 14,272</u>	<u>\$ 16,231</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Sewer System

The City of Iowa City operates a municipal Sewer Utility System consisting of approximately 254 miles of sanitary sewers, 15 sanitary sewer lift stations, 2 storm water pumping stations, and 2 treatment plants. There are a total of 25.40 (FTE) employees who work in the Wastewater Division. This division serves 68,947 people and has over 23,500 customers. The average daily combined treatment flow for 2012 was 8.28 million gallons per day (MGD).

The North Plant was constructed in 1935 and the South Plant was completed in 1990 and upgraded in 2002. The connecting of the North and South Plants was completed in 1998. The City has the capability to divert all wastewater treatment to the South Plant and control all operations remotely through computer systems. The combined wastewater treatment system design has a maximum daily treatment capacity of 41.10 MGD. Both plants are in compliance with federal clean water standards. The City is utilizing federal and state grants to fund a flood recovery and mitigation project to decommission the North Wastewater Plant through expansion of the South Wastewater Plant.

Billing and Collections: Customers are billed monthly on a combined utility statement which includes charges for sewer, water, solid waste, and curbside recycling. Under present City policy and City ordinances, utility bills are due when received but contain a delinquency date which provides 15 days for payment. If payment is not made in full within 22 days, a notice is mailed which allows 25 calendar days before service is disconnected. The City's bad debt write-offs have been less than 0.5% of gross revenues for the past three years.

Rates:

The following rates and charges were effective July 1, 2010.

Sewer Service Charge Minimum (includes up to the first 100 cubic feet (c.f.))	\$8.15
Monthly Usage in excess of 100 cubic feet (c.f.)	\$3.99

Changes in sewer rates over the last ten fiscal years:

2003	0%
2004	0%
2005	0%
2006	0%
2007	8%
2008	0%
2009	5%
2010	0%
2011	0%
2012	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Financial Information: The following table summarizes the results of operations for the Sewer System for the fiscal years ended June 30, 2012, 2011, and 2010.

**SEWER SYSTEM
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues:			
Charges for services	\$ 12,670	\$ 12,836	\$ 12,637
Miscellaneous	145	63	73
Total operating revenues	<u>12,815</u>	<u>12,899</u>	<u>12,710</u>
Operating Expenses:			
Personal services	1,993	1,961	1,874
Commodities	954	895	645
Services and charges	<u>2,716</u>	<u>2,621</u>	<u>2,531</u>
	5,663	5,477	5,050
Depreciation	<u>3,952</u>	<u>4,017</u>	<u>4,178</u>
Total operating expenses	<u>9,615</u>	<u>9,494</u>	<u>9,228</u>
 Operating income	 <u>3,200</u>	 <u>3,405</u>	 <u>3,482</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	(12)	(40)	-
Operating grants	-	-	-
Interest income	360	382	464
Interest expense	<u>(1,564)</u>	<u>(1,704)</u>	<u>(2,173)</u>
Total nonoperating revenues (expenses)	<u>(1,216)</u>	<u>(1,362)</u>	<u>(1,709)</u>
 Income before capital contributions and transfers	 1,984	 2,043	 1,773
 Capital contributions	 3,223	 2,394	 2,115
Transfers in	2,454	1,716	167
Transfers out	<u>(359)</u>	<u>(171)</u>	<u>(202)</u>
 Change in net assets	 7,302	 5,982	 3,853
 Net Assets, Beginning	 <u>84,730</u>	 <u>78,748</u>	 <u>74,895</u>
 Net Assets, Ending	 <u>\$ 92,032</u>	 <u>\$ 84,730</u>	 <u>\$ 78,748</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

The following table summarizes the budget and actual figures for the Sewer System for the fiscal year ended June 30, 2012 and the budget for the fiscal year ended June 30, 2013 on a cash basis.

**SEWER SYSTEM
BUDGET AND ACTUALS (CASH BASIS)**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Actual	Budget	Percentage	FY13 Budget
Charges for services	\$ 12,558	\$ 12,752	98.48%	\$ 12,759
Interest income	276	100	276.00%	301
Miscellaneous	162	57	284.21%	56
Operating grants	3,483	9,491	36.70%	12,808
Local option sales tax	479	12,596	3.80%	12,116
Bond sales	-	-	0.00%	-
Total Receipts	<u>\$ 16,958</u>	<u>\$ 34,996</u>	<u>48.46%</u>	<u>\$ 38,040</u>
Personal services	\$ 2,177	\$ 2,160	100.79%	\$ 2,374
Commodities	710	558	197.34%	659
Services and charges	5,492	2,783	127.24%	4,366
Capital outlay	341	25,251	1.35%	26,576
Transfer to capital project funds	336	1,649	20.38%	1,575
Operating subsidy	23	23	100.00%	24
Debt service payments	6,308	6,308	100.00%	6,412
Total Disbursements	<u>\$ 15,387</u>	<u>\$ 38,732</u>	<u>39.73%</u>	<u>\$ 41,986</u>

The following table summarizes the Sewer System funds on hand for the fiscal years ended June 30, 2012, 2011, and 2010.

**SEWER SYSTEM
FUNDS ON HAND (CASH AND INVESTMENTS)**

Last Three Fiscal Years
(amounts expressed in thousands)

	2012	2011	2010
Operating Funds	\$ 14,551	\$ 12,882	\$ 12,615
Restricted and Designated Funds	11,905	12,002	9,645
Total Funds on Hand	<u>\$ 26,456</u>	<u>\$ 24,884</u>	<u>\$ 22,260</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Parking System

The Parking System currently consists of approximately 4,084 parking spaces located at various parking facilities in the central business district of the City. The Parking Division of the Iowa City Transportation Services Department oversees the operation of parking garages, parking lots, and on-street (metered) parking. Parking Services enforces parking regulation in the central business district, while the Police Department enforces parking regulations in residential areas. Recognizing that there is a high demand for parking in downtown Iowa City, Parking Services promotes turnover of on-street metered parking spaces in the core of the downtown. Customers with longer-term needs are encouraged to use the garages or on streets in outlying areas. There are a total of 32.75 (FTE) employees who work in the Parking Division.

Parking System Utilization, Demand and Other Considerations: The City tracks Parking System utilization by the hour in each of the cashiered facilities. During peak hours, the occupancy rate regularly runs between 85% to 98% depending on the time of year and the time of day. Peak hours for the Parking System are 10:00 am through 3:00pm with high occupancy rates regularly maintained through 5:30 pm daily.

In addition to hourly parking, the Parking System offers monthly permit parking. The Parking System currently has 1,385 permit holders. The largest customer for the monthly permit parking is the University of Iowa with 615 permits. There are currently over 576 people on the Parking System's waiting lists for monthly permit parking.

In addition to monthly and permit parking, the Parking System has parking space contracts with the Sheraton Hotel in the amount of \$8,000.00 per month and with the Hotel Vetro in the amount of \$2,000.00 per month.

The City regularly evaluates parking demand. As development has continued to move south of Burlington Street and the central business district, the need for additional spaces in this area has increased. The Applied Real Estate Analysis ("AREA"), in conjunction with Desman Associates, estimates that there is demand for 600 additional parking spaces in downtown Iowa City. The underlying economic growth and employment base of the City continues to contribute to increased demand.

Parking System Rates and Charges: Rates for the Parking System are set by the City Council. Parking System rates are reviewed annually. The rates vary by facility and the hourly and monthly rates and charges as approved by the City Council are listed below by facility. These rates include the most recent hourly rate adjustments that were approved by the City Council on March 21, 2006 and became effective July 1, 2006 and the proposed monthly permit rate adjustments that were approved by the City Council on June 2, 2009 and became effective July 1, 2009.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Parking Facilities: The Parking System consists of 3 cashiered garages and 1 unattended garage, as well as, various parking lots and on-street metered parking in the Central Business District. The City completes regular visual inspections of the parking garages to evaluate their current appearance and general condition. The garages are visually inspected for the condition of the main structural elements (columns, girders, beams), parking decks, expansion and control joints, and their coating systems. Based on the most recent inspections, all of the Parking System's facilities are in excellent/good condition. All garages will continue to receive routine inspections and maintenance. A description of each parking facility, their locations, access, the number of spaces, monthly permits, and current rates are as follows:

Capitol Street Garage

Constructed	1980	
Address	220 S. Capitol Street	
Description	Located on a parcel confined by Burlington Street to the south, Capitol Street to the west, Clinton Street to the east and the Old Capitol Town Center to the north.	
Access	This is a cashiered facility with two entry lanes off of Clinton Street; two entry lanes off of Capitol Street; and four exit lanes onto Capitol Street.	
Spaces	875	
Monthly Permits	235	
Rates	Hourly	\$0.75 per hour
	Monthly	\$80.00 per month

Changes in Capitol Street Garage rates over the last ten fiscal years:

	Hourly	Monthly
2003	0%	0%
2004	0%	17%
2005	0%	0%
2006	0%	0%
2007	25%	7%
2008	0%	0%
2009	0%	0%
2010	0%	7%
2011	0%	0%
2012	0%	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Dubuque Street Garage

Constructed	1980	
Address	220 S. Dubuque Street	
Description	Located on a parcel confined by Burlington Street to the south, Dubuque Street to the west, Linn Street to the east and the Sheraton Hotel to the north.	
Access	This is a cashiered facility with two entry lanes off of Dubuque Street; one entry lanes off of Linn Street; and two exit lanes onto Dubuque Street.	
Spaces	625	
Monthly Permits	325	
Rates	Hourly	\$0.75 per hour
	Monthly	\$80.00 per month

Changes in Dubuque Street Garage rates over the last ten fiscal years:

	Hourly	Monthly
2003	0%	0%
2004	0%	20%
2005	0%	0%
2006	0%	0%
2007	25%	8%
2008	0%	0%
2009	0%	0%
2010	0%	23%
2011	0%	0%
2012	0%	0%

Chauncey Swan Garage

Constructed	1993	
Address	415 E. Washington Street	
Description	Located on a parcel confined by College Street to the south, Van Buren Street to the east, Gilbert Street to the west and Washington Street to the north.	
Access	This is an automated facility with one entry/exit lane off of College Street; one entry/ exit lane off of Washington Street; and one entry/exit lane through the Recreation Center parking lot onto Burlington Street.	
Spaces	475	
Monthly Permits	400	
Rates	Hourly	\$0.60 per hour
	Monthly	\$80.00 per month

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Changes in Chauncey Swan Garage rates over the last ten fiscal years:

	Hourly	Monthly
2003	0%	0%
2004	0%	22%
2005	0%	0%
2006	0%	0%
2007	20%	9%
2008	0%	0%
2009	0%	0%
2010	0%	17%
2011	0%	14%
2012	0%	0%

Tower Place Garage

Constructed	2001	
Address	335 E. Iowa Avenue	
Description	Located on a parcel confined by Iowa City Senior Center to the south, Gilbert Street to the east, Linn Street to the west and Iowa Avenue to the north.	
Access	This is a cashiered facility with two entry lanes off of Iowa Avenue; three exit lanes onto Iowa Avenue; and secured permit-only entry and exit off of Gilbert Street.	
Spaces	510	
Monthly Permits	319	
Rates	Hourly	\$0.75 per hour
	Monthly	\$80.00 per month

Changes in Tower Place Garage rates over the last ten fiscal years:

	Hourly	Monthly
2003	0%	0%
2004	0%	17%
2005	0%	0%
2006	0%	0%
2007	25%	7%
2008	0%	0%
2009	0%	0%
2010	0%	7%
2011	0%	0%
2012	0%	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

On-Street Parking Meters: The City operates short-term meters (1-2 hours) concentrated in the core of the downtown. These meters are intended for shopper's use. Each parking meter dial states the maximum time. Longer term meters become more common away from the core downtown area.

Meters	1,175	
Rates	Hourly	\$0.50 - \$0.75 per hour based on proximity to the central business district and usage.

Parking Lots: The City operates seven parking lots in the Central Business District. They consist of a mix of permit spaces and metered spaces.

Spaces	430	
Monthly Permits	138	
Rates	Hourly	\$0.50 - \$0.75 per hour based on proximity to the central business district and usage.
	Monthly	\$60.00 per month

Moped Parking: FY12 saw the implementation of a parking permit program for mopeds, scooters, and motorcycles. Spaces were designated throughout the Central Business District to accommodate the use of mopeds and scooters while also removing them from parking in bicycle racks.

Spaces	148	
Annual Permits	600	
Rates	Annual	\$45.00 per year

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Financial Information: The following table summarizes the results of operations for the Parking System for the fiscal years ended June 30, 2012, 2011, and 2010.

**PARKING SYSTEM
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues:			
Charges for services	\$ 4,743	\$ 5,234	\$ 5,377
Miscellaneous	162	104	26
Total operating revenues	<u>4,905</u>	<u>5,338</u>	<u>5,403</u>
Operating Expenses:			
Personal services	1,733	1,662	1,775
Commodities	107	75	248
Services and charges	1,194	1,183	1,126
	<u>3,034</u>	<u>2,920</u>	<u>3,149</u>
Depreciation	815	908	905
Total operating expenses	<u>3,849</u>	<u>3,828</u>	<u>4,054</u>
Operating income	<u>1,056</u>	<u>1,510</u>	<u>1,349</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	(10)	-	(15)
Operating grants	-	-	-
Interest income	40	51	106
Interest expense	(366)	(408)	(538)
Total nonoperating revenues (expenses)	<u>(336)</u>	<u>(357)</u>	<u>(447)</u>
Income before capital contributions and transfers	720	1,153	902
Capital contributions	4	269	-
Transfers in	-	-	-
Transfers out	<u>(16)</u>	<u>-</u>	<u>(110)</u>
Change in net assets	708	1,422	792
Net Assets, Beginning	<u>16,014</u>	<u>14,592</u>	<u>13,800</u>
Net Assets, Ending	<u>\$ 16,722</u>	<u>\$ 16,014</u>	<u>\$ 14,592</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

The following table summarizes the budget and actual figures for the Parking System for the fiscal year ended June 30, 2012 and the budget for the fiscal year ended June 30, 2013 on a cash basis.

**PARKING SYSTEM
BUDGET AND ACTUALS (CASH BASIS)**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Actual	Budget	Percentage	FY13 Budget
Charges for services	\$ 4,467	\$ 4,593	97.26%	\$ 4,500
Interest income	39	30	130.00%	42
Miscellaneous	453	479	94.57%	322
Operating grants	273	273	100.00%	-
Bond sales	-	-	0.00%	-
Total Receipts	<u>\$ 5,232</u>	<u>\$ 5,375</u>	<u>97.34%</u>	<u>\$ 4,864</u>
Personal services	\$ 1,794	\$ 2,024	88.64%	\$ 1,881
Commodities	81	339	111.51%	134
Services and charges	1,540	1,381	23.89%	1,197
Capital outlay	1,377	3,679	37.43%	1,386
Transfer to capital project funds	-	-	0.00%	46
Interfund Loan Repayment	288	282	102.13%	254
Debt service payments	839	839	100.00%	839
Total Disbursements	<u>\$ 5,919</u>	<u>\$ 8,544</u>	<u>69.28%</u>	<u>\$ 5,737</u>

The following table summarizes the Parking System funds on hand for the fiscal years ended June 30, 2012, 2011, and 2010.

**PARKING SYSTEM
FUNDS ON HAND (CASH AND INVESTMENTS)**

Last Three Fiscal Years
(amounts expressed in thousands)

	2012	2011	2010
Operating Funds	\$ 5,218	\$ 5,928	\$ 5,677
Restricted and Designated Funds	1,528	1,521	1,486
Total Funds on Hand	<u>\$ 6,746</u>	<u>\$ 7,449</u>	<u>\$ 7,163</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

15. Subsequent events

As of July 1, 2012, the City of Iowa City has reclassified the Transit Operations as an enterprise fund, which was previously recorded as part of the General Fund since the year ended June 30, 2003. The City of Iowa City believed this reclassification would highlight the extent to which fees and charges are sufficient to cover the cost of providing transit services, since the year ended June 30, 2008 the Transit Operations in the General Fund have provided surplus revenue.

On November 29, 2012, the City of Iowa City received and awarded bonds for Taxable Urban Renewal Revenue Bonds, Series 2012D, in the amount of \$2,655,000. The bonds were issued to finance costs of aiding in the planning, undertaking and carrying out of an urban renewal project.

16. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued eight statements not yet implemented by the City. The statements, which might impact the City's financial statements, are as follows:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2012

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The City's management has not yet determined the effect these statements will have on the City's financial statements.



CITY OF IOWA CITY
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS
BUDGETARY BASIS
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property taxes	\$ 49,542	\$ -	\$ 49,542
Delinquent property taxes	1	-	1
Tax increment financing taxes	839	-	839
Other city taxes	11,314	-	11,314
Licenses and permits	1,310	6	1,316
Intergovernmental	23,929	12,042	35,971
Charges for services	5,912	34,063	39,975
Use of money and property	895	1,509	2,404
Miscellaneous	3,522	1,731	5,253
Total revenues	97,264	49,351	146,615
Expenditures/Expenses:			
Public safety	20,576	-	20,576
Public works	13,390	-	13,390
Culture and recreation	12,445	-	12,445
Community and economic development	18,342	-	18,342
General government	7,610	-	7,610
Debt service	28,714	-	28,714
Capital outlay	14,088	-	14,088
Business-type	-	50,986	50,986
Total expenditures/expenses	115,165	50,986	166,151
Excess (deficiency) of revenues over (under) expenditures/expenses	(17,901)	(1,635)	(19,536)
Other financing sources and uses, net	15,918	4,349	20,267
Net change in fund balances	(1,983)	2,714	731
Balances, beginning of year	82,977	80,234	163,211
Balances, end of year	80,994	82,948	163,942

See Note to Required Supplementary Information.

Budgeted Amounts

Original	Final	Final to Actual Variance - Positive (Negative)
\$ 49,595	\$ 49,595	\$ (53)
-	-	1
846	846	(7)
10,312	11,149	165
1,224	1,224	92
48,735	89,253	(53,282)
40,684	40,808	(833)
1,265	1,265	1,139
5,207	5,890	(637)
157,868	200,030	(53,415)
21,155	22,168	1,592
13,958	14,178	788
12,557	12,898	453
10,441	24,882	6,540
8,384	8,284	674
15,226	28,726	12
30,734	80,671	66,583
58,959	91,867	40,881
171,414	283,674	117,523
(13,546)	(83,644)	64,108
6,946	21,130	(863)
(6,600)	(62,514)	63,245
103,088	163,518	
96,488	101,004	

CITY OF IOWA CITY

**BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 97,264	\$ (2,224)	\$ 95,040
Expenditures	115,165	(19,104)	96,061
Net	(17,901)	16,880	(1,021)
Other financing sources (uses)	15,918	(6,073)	9,845
Beginning Fund Balances	\$ 82,977	\$ (13,757)	\$ 69,220
Ending Fund Balances	\$ 80,994	\$ (2,950)	\$ 78,044

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 49,351	\$ (5,063)	\$ 44,288
Expenditures	50,986	(7,139)	43,847
Net	(1,635)	2,076	441
Other financing sources (uses)	4,349	5,715	10,064
Extraordinary items	-	(5,000)	(5,000)
Beginning Fund Balances	80,234	\$ 178,554	258,788
Ending Fund Balances	\$ 82,948	\$ 181,345	\$ 264,293

See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2012

In accordance with Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which includes all funds, except internal service funds and agency funds. The budget basis of accounting is cash basis. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level control is at the aggregated function level, not at the fund or fund type level.

During the year, budget amendments increased budgeted revenues by \$106,986,000 and expenditures by \$162,901,000. The budget amendments were primarily due to changes in the breadth and timing of capital improvement projects, which the City budgets in full during the initial year of the projects and amends future year budgets for carryover. Additional amendments are related to flood recovery and mitigation costs and the associated grants from flooding in the summer of 2008.

City of Iowa City, Iowa
Note to Required Supplementary Information – Schedule of Funding Progress for Health and
Dental Plans
For the Year Ended June 30, 2012

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
July 1, 2008	June 30, 2010	\$ -	\$ 15,235,196	\$ 15,235,196	0.00%	\$ 32,804,905	46.44%
July 1, 2010	June 30, 2011	\$ -	\$ 6,893,438	\$ 6,893,438	0.00%	\$ 29,842,842	23.10%
July 1, 2010	June 30, 2012	\$ -	\$ 6,893,438	\$ 6,893,438	0.00%	\$ 29,842,842	23.10%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific sources that are required to be accounted for as separate funds. The funds in this category and their purpose are as follows:

Economic Development Fund – accounts for revenue and expenditures of economic development activities.

Metropolitan Planning Organization of Johnson County (formerly Johnson County Council of Governments) Fund – accounts for the financial activities of the metropolitan/rural cooperative planning organization.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities and other major fixed assets, with the exception of those that are financed by proprietary fund monies. The fund in this category is as follows:

Bridge, Street, and Traffic Control Construction Fund – accounts for the construction or replacement of infrastructure fixed assets, such as streets, bridges, dams, sidewalks, and lighting systems.

Other Construction Fund – accounts for the construction or replacement of other City general fixed assets, such as administrative buildings with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions.

CITY OF IOWA CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012
(amounts expressed in thousands)

	Special Revenue		Capital Projects		Total
	Economic Development	Metropolitan Planning Organization of Johnson County	Bridge, Street, and Traffic Control Construction	Other Construction	
Assets					
Equity in pooled cash and investments	\$ -	\$ 141	\$ 2,539	\$ -	\$ 2,680
Receivables:					
Property tax	280	-	-	-	280
Accounts and unbilled usage	-	-	-	8	8
Interest	-	-	-	2	2
Due from other governments	-	52	435	1,474	1,961
Assets held for resale	-	-	165	-	165
Restricted assets:					
Equity in pooled cash and investments	-	-	1	21,734	21,735
Total assets	\$ 280	\$ 193	\$ 3,140	\$ 23,218	\$ 26,831
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 3	\$ 9	\$ 31	\$ 137	\$ 180
Contracts payable	-	-	224	1,106	1,330
Accrued liabilities	-	9	4	9	22
Advances from other funds	76	-	-	265	341
Due to other governments	-	-	2,947	-	2,947
Deferred revenue	280	-	220	818	1,318
Liabilities payable from restricted assets:					
Deposits	-	-	1	-	1
Total liabilities	359	18	3,427	2,335	6,139
Fund balances:					
Restricted	-	175	-	20,883	21,058
Unassigned	(79)	-	(287)	-	(366)
Total fund balances	(79)	175	(287)	20,883	20,692
Total liabilities and fund balances	\$ 280	\$ 193	\$ 3,140	\$ 23,218	\$ 26,831

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue		Capital Projects		Total
	Economic Development	Metropolitan Planning Organization of Johnson County	Bridge, Street, and Traffic Control Construction	Other Construction	
Revenues					
Property taxes	\$ 838	\$ -	\$ 208	\$ -	\$ 1,046
Intergovernmental	-	316	1,517	2,012	3,845
Use of money and property	-	-	11	7	18
Miscellaneous	-	8	95	125	228
Total revenues	838	324	1,831	2,144	5,137
Expenditures					
Current:					
Public safety	-	-	-	309	309
Public works	-	-	2,249	831	3,080
Culture and recreation	-	-	11	911	922
Community and economic development	559	653	-	305	1,517
General government	-	-	-	170	170
Capital outlay	-	-	1,481	4,585	6,066
Total expenditures	559	653	3,741	7,111	12,064
Excess (deficiency) of revenues over (under) expenditures	279	(329)	(1,910)	(4,967)	(6,927)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	9,690	9,690
Insurance recoveries	-	-	-	53	53
Premium on issuance of bonds	-	-	-	165	165
Transfers in	-	409	3,510	4,897	8,816
Transfers out	(1,003)	-	(146)	(5,015)	(6,164)
Total other financing sources and (uses)	(1,003)	409	3,364	9,790	12,560
Net change in fund balances	(724)	80	1,454	4,823	5,633
Fund Balances, Beginning	645	95	(1,741)	16,060	15,059
Fund Balances, Ending	\$ (79)	\$ 175	\$ (287)	\$ 20,883	\$ 20,692



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations and activities of the City that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The funds in this category are as follows:

Airport Fund – accounts for the operation and maintenance of the airport facility.

Stormwater Fund – accounts for the operation and maintenance of the stormwater operation.

Cable Television Fund – accounts for the operation and maintenance of the Broadband Telecommunications Commission that oversees the franchise agreement with the cable television company, including production and broadcasting on the government television channels.

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

June 30, 2012

(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 642	\$ 743	\$ 1,483	\$ 2,868
Receivables:				
Accounts and unbilled usage	-	96	187	283
Interest	2	1	3	6
Due from other governments	585	-	-	585
Total current assets	<u>1,229</u>	<u>840</u>	<u>1,673</u>	<u>3,742</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and investments	108	-	114	222
Other post employment benefits asset	8	-	-	8
Capital assets:				
Land	7,264	2,167	-	9,431
Buildings	4,174	-	741	4,915
Improvements other than buildings	357	-	-	357
Machinery and equipment	281	259	110	650
Infrastructure	12,460	37,369	-	49,829
Accumulated depreciation	(4,261)	(9,151)	(358)	(13,770)
Construction in progress	1,740	1,750	-	3,490
Total noncurrent assets	<u>22,131</u>	<u>32,394</u>	<u>607</u>	<u>55,132</u>
Total assets	<u>23,360</u>	<u>33,234</u>	<u>2,280</u>	<u>58,874</u>
Liabilities				
Current liabilities:				
Accounts payable	5	12	114	131
Contracts payable	464	13	-	477
Accrued liabilities	1	4	9	14
Employee vested benefits	2	1	17	20
Total current liabilities	<u>472</u>	<u>30</u>	<u>140</u>	<u>642</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Deposits	8	-	-	8
Advances from other funds	1,139	-	-	1,139
Employee vested benefits	2	1	13	16
Other post employment benefits obligation	-	5	7	12
Total noncurrent liabilities	<u>1,149</u>	<u>6</u>	<u>20</u>	<u>1,175</u>
Total liabilities	<u>1,621</u>	<u>36</u>	<u>160</u>	<u>1,817</u>
Net Assets				
Invested in capital assets, net of related debt	22,015	32,394	493	54,902
Restricted for future improvements	100	-	-	100
Unrestricted	(376)	804	1,627	2,055
Total net assets	<u>\$ 21,739</u>	<u>\$ 33,198</u>	<u>\$ 2,120</u>	<u>\$ 57,057</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Operating Revenues:				
Charges for services	\$ 306	\$ 811	\$ 824	\$ 1,941
Miscellaneous	3	1	-	4
Total operating revenues	<u>309</u>	<u>812</u>	<u>824</u>	<u>1,945</u>
Operating Expenses:				
Personal services	36	203	490	729
Commodities	42	138	11	191
Services and charges	316	246	158	720
	<u>394</u>	<u>587</u>	<u>659</u>	<u>1,640</u>
Depreciation	740	724	36	1,500
Total operating expenses	<u>1,134</u>	<u>1,311</u>	<u>695</u>	<u>3,140</u>
Operating income (loss)	<u>(825)</u>	<u>(499)</u>	<u>129</u>	<u>(1,195)</u>
Nonoperating Revenues (Expenses):				
Gain on disposal of capital assets	351	-	-	351
Interest income	2	1	4	7
Total nonoperating revenues (expenses)	<u>353</u>	<u>1</u>	<u>4</u>	<u>358</u>
Income (loss) before capital contributions and transfers	(472)	(498)	133	(837)
Capital contributions	1,576	570	-	2,146
Transfers in	360	981	-	1,341
Transfers out	(14)	(70)	(55)	(139)
Change in net assets	1,450	983	78	2,511
Net Assets, Beginning	<u>20,289</u>	<u>32,215</u>	<u>2,042</u>	<u>54,546</u>
Net Assets, Ending	<u>\$ 21,739</u>	<u>\$ 33,198</u>	<u>\$ 2,120</u>	<u>\$ 57,057</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2012

(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 308	\$ 787	\$ 821	\$ 1,916
Payments to suppliers	(355)	(397)	(164)	(916)
Payments to employees	(47)	(208)	(512)	(767)
Net cash flows from operating activities	<u>(94)</u>	<u>182</u>	<u>145</u>	<u>233</u>
Cash Flows From Noncapital Financing Activities				
Transfers from other funds	360	981	-	1,341
Transfers to other funds	(14)	(70)	(55)	(139)
Repayment of advances from other funds	(324)	-	-	(324)
Net cash flows from noncapital financing activities	<u>22</u>	<u>911</u>	<u>(55)</u>	<u>878</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants received	1,296	-	-	1,296
Acquisition and construction of property and equipment	(1,322)	(1,016)	-	(2,338)
Proceeds from sale of property	373	-	-	373
Net cash flows from capital and related financing activities	<u>347</u>	<u>(1,016)</u>	<u>-</u>	<u>(669)</u>
Cash Flows From Investing Activities				
Interest on investments	<u>1</u>	<u>1</u>	<u>4</u>	<u>6</u>
Net increase (decrease) in cash and cash equivalents	276	78	94	448
Cash and Cash Equivalents, Beginning	<u>474</u>	<u>665</u>	<u>1,503</u>	<u>2,642</u>
Cash and Cash Equivalents, Ending	<u>\$ 750</u>	<u>\$ 743</u>	<u>\$ 1,597</u>	<u>\$ 3,090</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ (825)	\$ (499)	\$ 129	\$ (1,195)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	740	724	36	1,500
Changes in:				
Receivables:				
Accounts and unbilled usage	-	(25)	(3)	(28)
Accounts payable	3	(13)	5	(5)
Accrued liabilities	(2)	(5)	(14)	(21)
Employee vested benefits	2	(1)	4	5
Deposits	(1)	-	-	(1)
Other post employment benefits asset/obligation	(11)	1	(12)	(22)
Total adjustments	<u>731</u>	<u>681</u>	<u>16</u>	<u>1,428</u>
Net cash flows from operating activities	<u>\$ (94)</u>	<u>\$ 182</u>	<u>\$ 145</u>	<u>\$ 233</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets from government and others	\$ -	\$ 570	\$ -	\$ 570

INTERNAL SERVICE FUNDS

Internal Service Funds account for goods and services provided by one department to other City departments on a cost-reimbursement basis. The funds in this category are:

Equipment Maintenance Fund – accounts for the provision of maintenance for City vehicles and equipment and vehicle rental to other City departments from a central vehicle pool.

Central Services Fund – accounts for the support services of photocopying, paper supplies, mail, overnight shipping, and two-way radios provided to other City departments.

Loss Reserve Fund – accounts for the property, liability, Workers' Compensation and health insurance premiums and claims activity for City departments, including the self-insured retention portion.

Information Technology Fund – accounts for the accumulation and allocation of costs associated with telecommunications and data processing, including the operation and replacement of equipment.

CITY OF IOWA CITY

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

June 30, 2012

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 8,129	\$ 732	\$ 11,986	\$ 2,734	\$ 23,581
Receivables:					
Interest	16	1	25	6	48
Due from other governments	93	-	-	-	93
Inventories	490	-	-	-	490
Total current assets	<u>8,728</u>	<u>733</u>	<u>12,011</u>	<u>2,740</u>	<u>24,212</u>
Noncurrent assets:					
Other post employment benefits asset	3	-	25	-	28
Capital assets:					
Land	45	-	-	-	45
Buildings	578	-	-	243	821
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	13,892	203	19	1,617	15,731
Infrastructure	-	-	-	1,577	1,577
Accumulated depreciation	(9,496)	(135)	(11)	(1,922)	(11,564)
Construction in progress	90	-	-	-	90
Total noncurrent assets	<u>5,162</u>	<u>68</u>	<u>33</u>	<u>1,515</u>	<u>6,778</u>
Total assets	<u>13,890</u>	<u>801</u>	<u>12,044</u>	<u>4,255</u>	<u>30,990</u>
Liabilities					
Current liabilities:					
Accounts payable	240	-	687	43	970
Accrued liabilities	14	-	1,906	18	1,938
Employee vested benefits	35	1	3	24	63
Total current liabilities	<u>289</u>	<u>1</u>	<u>2,596</u>	<u>85</u>	<u>2,971</u>
Noncurrent liabilities:					
Employee vested benefits	26	1	3	20	50
Other post employment benefits obligation	-	3	-	53	56
Total noncurrent liabilities	<u>26</u>	<u>4</u>	<u>3</u>	<u>73</u>	<u>106</u>
Total liabilities	<u>315</u>	<u>5</u>	<u>2,599</u>	<u>158</u>	<u>3,077</u>
Net Assets					
Invested in capital assets, net of related debt	5,159	68	8	1,515	6,750
Unrestricted	8,416	728	9,437	2,582	21,163
Total net assets	<u>\$ 13,575</u>	<u>\$ 796</u>	<u>\$ 9,445</u>	<u>\$ 4,097</u>	<u>\$ 27,913</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Operating Revenues:					
Charges for services	\$ 5,405	\$ 238	\$ 9,732	\$ 1,998	\$ 17,373
Miscellaneous	-	-	3	193	196
Total operating revenues	<u>5,405</u>	<u>238</u>	<u>9,735</u>	<u>2,191</u>	<u>17,569</u>
Operating Expenses:					
Personal services	868	39	272	1,049	2,228
Commodities	2,403	3	589	260	3,255
Services and charges	327	140	8,247	493	9,207
	<u>3,598</u>	<u>182</u>	<u>9,108</u>	<u>1,802</u>	<u>14,690</u>
Depreciation	1,126	26	4	230	1,386
Total operating expenses	<u>4,724</u>	<u>208</u>	<u>9,112</u>	<u>2,032</u>	<u>16,076</u>
Operating income (loss)	<u>681</u>	<u>30</u>	<u>623</u>	<u>159</u>	<u>1,493</u>
Nonoperating Revenues (Expenses):					
Gain (loss) on disposal of capital assets	195	-	-	5	200
Interest income	17	2	29	7	55
Total nonoperating revenues (expenses)	<u>212</u>	<u>2</u>	<u>29</u>	<u>12</u>	<u>255</u>
Income (loss) before capital contributions and transfers	893	32	652	171	1,748
Transfers in	44	-	-	7	51
Transfers out	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Change in net assets	937	31	652	178	1,798
Net Assets, Beginning	<u>12,638</u>	<u>765</u>	<u>8,793</u>	<u>3,919</u>	<u>26,115</u>
Net Assets, Ending	<u>\$ 13,575</u>	<u>\$ 796</u>	<u>\$ 9,445</u>	<u>\$ 4,097</u>	<u>\$ 27,913</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 5,409	\$ 238	\$ 9,735	\$ 2,191	\$ 17,573
Payments to suppliers	(2,888)	(144)	(8,185)	(742)	(11,959)
Payments to employees	(896)	(40)	200	(1,073)	(1,809)
Net cash flows from operating activities	<u>1,625</u>	<u>54</u>	<u>1,750</u>	<u>376</u>	<u>3,805</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	44	-	-	7	51
Operating transfers to other funds	-	(1)	-	-	(1)
Net cash flows from noncapital financing activities	<u>44</u>	<u>(1)</u>	<u>-</u>	<u>7</u>	<u>50</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(1,057)	(17)	(5)	(130)	(1,209)
Proceeds from sale of property	227	-	-	5	232
Net cash flows from capital and related financing activities	<u>(830)</u>	<u>(17)</u>	<u>(5)</u>	<u>(125)</u>	<u>(977)</u>
Cash Flows From Investing Activities					
Interest on investments	15	2	23	6	46
Net increase in cash and cash equivalents	854	38	1,768	264	2,924
Cash and Cash Equivalents, Beginning	<u>7,275</u>	<u>694</u>	<u>10,218</u>	<u>2,470</u>	<u>20,657</u>
Cash and Cash Equivalents, Ending	<u>\$ 8,129</u>	<u>\$ 732</u>	<u>\$ 11,986</u>	<u>\$ 2,734</u>	<u>\$ 23,581</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 681	\$ 30	\$ 623	\$ 159	\$ 1,493
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,126	26	4	230	1,386
Changes in:					
Receivables:					
Due from other governments	4	-	-	-	4
Inventories	27	-	-	-	27
Accounts payable	(185)	(1)	651	11	476
Accrued liabilities	(25)	(2)	471	(31)	413
Employee vested benefits	(3)	1	-	1	(1)
Other post employment benefits asset/obligation	-	-	1	6	7
Total adjustments	<u>944</u>	<u>24</u>	<u>1,127</u>	<u>217</u>	<u>2,312</u>
Net cash flows from operating activities	<u>\$ 1,625</u>	<u>\$ 54</u>	<u>\$ 1,750</u>	<u>\$ 376</u>	<u>\$ 3,805</u>

AGENCY FUNDS

The Agency Funds account for assets held by the City in a trustee or custodial capacity for other entities, such as individuals, private organizations, or other governmental units. The funds in this category are:

Project Green Fund – accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City.

Library Foundation – accounts for donations that are made to support the library development office.

CITY OF IOWA CITY

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Year Ended June 30, 2012
(amounts expressed in thousands)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Project Green				
Assets				
Equity in pooled cash and investments	\$ 206	\$ 57	\$ 59	\$ 204
Interest receivable	1	1	1	1
Total assets	<u>\$ 207</u>	<u>\$ 58</u>	<u>\$ 60</u>	<u>\$ 205</u>
Liabilities				
Due to agency	\$ 207	\$ 58	\$ 60	\$ 205
Total liabilities	<u>\$ 207</u>	<u>\$ 58</u>	<u>\$ 60</u>	<u>\$ 205</u>
Library Foundation				
Assets				
Equity in pooled cash and investments	\$ 2	\$ 9	\$ 11	\$ -
Accounts receivable	9	-	-	9
Total assets	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 11</u>	<u>\$ 9</u>
Liabilities				
Accrued liabilities	\$ 11	\$ 9	\$ 11	\$ 9
Total liabilities	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 11</u>	<u>\$ 9</u>
Total Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 208	\$ 66	\$ 70	\$ 204
Accounts receivable	9	-	-	9
Interest receivable	1	1	1	1
Total assets	<u>\$ 218</u>	<u>\$ 67</u>	<u>\$ 71</u>	<u>\$ 214</u>
Liabilities				
Accrued liabilities	\$ 11	\$ 9	\$ 11	\$ 9
Due to agency	207	58	60	205
Total liabilities	<u>\$ 218</u>	<u>\$ 67</u>	<u>\$ 71</u>	<u>\$ 214</u>

Statistical Section

This part of the City of Iowa City’s comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	111
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	116
Debt Capacity These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	126
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	136
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	138

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The city implemented GASB 34 in FY03; schedules presenting government-wide information include information beginning in that year.*



CITY OF IOWA CITY, IOWA

NET ASSETS BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 73,447	\$ 67,090	\$ 84,768	\$ 95,227	\$ 101,027	\$ 104,833	\$ 100,741	\$ 111,703	\$ 123,935	\$ 135,998
Restricted	22,499	17,705	16,973	6,852	8,181	23,741	26,586	25,588	31,179	35,021
Unrestricted	16,926	11,700	3,793	10,827	11,043	1,119	17,938	32,478	36,862	38,906
Total governmental activities net assets	\$ 112,872	\$ 96,495	\$ 105,534	\$ 112,906	\$ 120,251	\$ 129,693	\$ 145,265	\$ 169,769	\$ 191,976	\$ 209,925
Business-type activities										
Invested in capital assets, net of related debt	\$ 111,487	\$ 150,817	\$ 150,797	\$ 155,346	\$ 172,518	\$ 156,075	\$ 162,211	\$ 172,601	\$ 186,177	\$ 195,073
Restricted	24,420	14,932	15,038	15,682	23,893	21,320	19,159	17,588	20,658	20,176
Unrestricted	33,339	36,246	40,780	42,988	33,695	60,225	63,842	65,725	61,032	58,850
Total business-type activities net assets	\$ 169,246	\$ 201,995	\$ 206,615	\$ 214,016	\$ 230,106	\$ 237,620	\$ 245,212	\$ 255,914	\$ 267,867	\$ 274,099
Primary government										
Invested in capital assets, net of related debt	\$ 184,934	\$ 217,907	\$ 235,565	\$ 250,573	\$ 273,545	\$ 260,908	\$ 262,952	\$ 284,304	\$ 310,112	\$ 331,071
Restricted	46,919	32,637	32,011	22,534	32,074	45,061	45,025	43,176	51,837	55,197
Unrestricted	50,265	47,946	44,573	53,815	44,738	61,344	82,500	98,203	97,894	97,756
Total primary government net assets	\$ 282,118	\$ 298,490	\$ 312,149	\$ 326,922	\$ 350,357	\$ 367,313	\$ 390,477	\$ 425,683	\$ 459,843	\$ 484,024

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
Public safety	\$ 13,844	\$ 15,015	\$ 15,286	\$ 16,690	\$ 16,694	\$ 20,504	\$ 20,730	\$ 19,955	\$ 18,867	\$ 21,186
Public works	11,539	10,423	11,521	12,723	13,560	13,727	15,177	16,806	19,145	17,556
Culture and recreation	10,131	12,051	11,341	11,458	11,970	13,460	9,574	12,238	10,811	13,107
Community and economic development	3,133	2,580	3,133	6,264	4,680	1,850	8,726	16,913	16,501	16,305
General government	6,251	6,527	6,500	6,892	7,258	7,433	7,600	7,549	7,356	7,591
Debt service	3,662	3,440	3,602	3,404	3,459	3,517	3,264	2,970	2,841	2,400
Total governmental activities expenses	48,560	50,036	55,210	57,431	57,621	60,491	65,071	76,431	75,521	78,145
Business-type activities:										
Wastewater	12,086	12,344	12,214	11,710	11,537	11,757	11,925	11,274	10,971	11,069
Water	7,861	8,011	8,313	9,324	8,823	8,804	9,185	8,309	8,523	8,781
Sanitation	4,082	6,103	6,031	6,101	6,684	6,868	7,296	7,705	7,461	8,315
Housing authority	6,519	7,219	7,466	7,026	6,884	7,374	7,238	7,838	7,448	7,911
Parking	3,554	3,898	3,989	3,884	4,403	3,913	4,489	4,536	4,135	4,167
Airport	431	515	520	418	512	560	693	724	1,049	1,127
Stormwater	-	652	1,452	817	932	1,072	1,223	1,187	1,418	1,304
Cable television	687	549	607	576	525	598	633	645	638	689
Total business-type activities expenses	35,220	39,291	40,592	39,950	40,206	40,946	42,682	42,218	41,643	43,363
Total primary government expenses	\$ 83,780	\$ 89,327	\$ 95,802	\$ 97,381	\$ 97,827	\$ 101,437	\$ 107,753	\$ 118,649	\$ 117,164	\$ 121,508
Program Revenues										
Governmental activities:										
Charges for services	\$ 2,507	\$ 3,038	\$ 2,928	\$ 2,971	\$ 3,088	\$ 3,019	\$ 2,968	\$ 2,980	\$ 3,279	\$ 3,401
Public safety	1,118	1,006	1,076	1,062	1,229	1,047	1,392	1,061	1,117	1,112
Public works	1,145	630	653	707	712	680	715	773	872	825
Culture and recreation	192	-	-	-	-	-	-	-	-	-
Community and economic development	1,416	1,428	1,482	1,556	1,569	1,633	1,626	2,574	2,931	2,817
General government	2,965	2,150	2,592	2,937	3,215	3,611	8,185	15,554	13,517	8,682
Operating grants and contributions	2,205	6,198	7,679	3,849	4,283	1,747	3,773	8,291	6,048	6,078
Capital grants and contributions	11,548	14,450	16,410	13,082	14,096	11,737	18,659	31,233	27,764	22,915
Total governmental activities program revenues	22,110	27,305	28,738	27,183	29,483	28,841	29,933	31,233	31,737	29,708
Business-type activities:										
Charges for services:										
Wastewater	12,445	12,580	12,145	12,145	12,535	12,318	12,557	12,637	12,836	12,670
Water	9,677	9,164	8,602	9,012	8,240	8,195	8,107	7,957	8,054	8,419
Sanitation	6,531	7,111	7,154	7,133	7,204	7,853	8,286	8,096	8,259	8,115
Housing authority	221	219	181	168	132	149	181	180	208	207
Parking	3,636	4,011	4,045	3,936	4,704	4,673	5,438	5,377	5,234	4,743
Airport	180	213	220	264	234	258	248	289	293	306
Stormwater	-	104	592	597	622	616	622	617	641	811
Cable Television	298	673	708	718	726	814	788	790	809	824

(continued)

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS (continued)

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Capital grants and contributions: Wastewater	1,077	968	761	773	1,539	577	266	2,115	2,394	3,223
Capital grants and contributions: Water	640	452	588	606	845	314	132	572	973	977
Capital grants and contributions: Sanitation	-	-	-	46	-	-	-	6	-	2
Capital grants and contributions: Airport	-	116	283	1,125	1,231	1,580	3,239	3,311	358	1,576
Capital grants and contributions: Stormwater	-	717	755	468	1,251	302	68	541	140	436
Capital grants and contributions: Housing authority	-	-	-	-	-	17	-	25	11	-
Capital grants and contributions: Parking	-	-	-	-	-	8	-	-	269	4
Operating grants and contributions: Housing authority	6,291	6,950	7,012	7,414	7,165	6,281	6,668	7,765	7,438	6,782
Operating grants and contributions: Water	131	-	-	-	-	-	15	6	-	-
Operating grants and contributions: Airport	36	-	-	-	-	-	2	-	-	-
Operating grants and contributions: Sanitation	201	9	-	3	6	-	607	6	10	-
Operating grants and contributions: Wastewater	-	-	-	-	1	-	-	-	-	-
Total business-type activities program revenues	41,364	43,287	43,046	44,408	46,435	43,955	47,225	50,290	47,927	49,095
Total primary government revenues	\$ 52,912	\$ 57,737	\$ 59,456	\$ 57,490	\$ 60,531	\$ 55,692	\$ 65,884	\$ 81,523	\$ 75,691	\$ 72,010
Net (Expense) / Revenues	\$ (37,012)	\$ (35,586)	\$ (38,800)	\$ (44,349)	\$ (43,525)	\$ (48,754)	\$ (46,412)	\$ (45,198)	\$ (47,757)	\$ (55,230)
Governmental activities	6,144	3,996	2,454	4,458	6,229	3,009	4,543	8,072	6,284	5,732
Business-type activities	\$ (30,868)	\$ (31,590)	\$ (36,346)	\$ (39,891)	\$ (37,296)	\$ (45,745)	\$ (41,869)	\$ (37,126)	\$ (41,473)	\$ (49,498)
Total primary government net expense	\$ 32,257	\$ 34,173	\$ 35,327	\$ 37,770	\$ 41,492	\$ 43,400	\$ 47,085	\$ 49,467	\$ 48,011	\$ 50,516
Governmental activities:	5,144	5,311	5,269	5,303	5,305	5,432	5,254	5,525	6,068	6,394
Property taxes	-	-	-	-	-	-	-	8,141	8,911	8,644
Road use tax	-	-	-	-	-	-	-	1,535	2,464	2,491
Local Sales Option tax	1,399	1,609	1,351	1,240	1,412	1,435	1,489	1,766	1,539	1,823
Other taxes	1,207	1,056	1,576	2,678	4,045	3,932	3,057	3,893	6,230	4,228
Earnings on investments	3,174	3,746	3,994	4,422	3,656	3,516	4,894	-	761	2,950
Miscellaneous	(1,726)	65	95	100	281	(7)	-	(625)	(4,020)	(3,867)
Gain on sale of assets	1,444	(1,840)	645	208	(5,321)	488	205	(625)	(4,020)	(3,867)
Transfers	42,899	44,120	48,257	51,721	50,870	58,196	61,984	69,702	69,964	73,179
Total governmental activities	1,305	991	1,771	2,575	3,606	3,279	2,577	1,311	954	813
Business-type activities:	315	1,009	304	185	591	1,260	360	230	314	336
Earnings on investments	994	335	418	391	343	454	317	464	381	484
Gain on sale of assets	(1,444)	1,840	(645)	(208)	5,321	(488)	(205)	625	4,020	3,867
Transfers	-	-	-	-	-	-	-	-	-	(5,000)
Extraordinary items	1,170	4,175	1,848	2,943	9,861	4,505	3,049	2,630	5,669	500
Total business-type activities	\$ 44,069	\$ 48,295	\$ 50,105	\$ 54,664	\$ 60,731	\$ 62,701	\$ 65,033	\$ 72,332	\$ 75,633	\$ 73,679
Total primary government	\$ 5,887	\$ 8,534	\$ 9,457	\$ 7,372	\$ 7,345	\$ 9,442	\$ 15,572	\$ 24,504	\$ 22,207	\$ 17,949
Change in Net Assets	7,314	8,171	4,302	7,401	16,090	7,514	7,592	10,702	11,953	6,232
Governmental activities	\$ 13,201	\$ 16,705	\$ 13,759	\$ 14,773	\$ 23,435	\$ 16,956	\$ 23,164	\$ 35,206	\$ 34,160	\$ 24,181
Business-type activities	-	-	-	-	-	-	-	-	-	-
Total primary government	-	-	-	-	-	-	-	-	-	-

CITY OF IOWA CITY, IOWA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ¹	2012
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331	\$ 314
Nonspendable	-	-	-	-	-	-	-	-	16,268	23,779
Restricted	-	-	-	-	-	-	-	-	3,542	5,191
Assigned	-	-	-	-	-	-	-	-	-	-
Reserved	1,094	396	362	570	568	446	555	406	-	-
Unassigned	-	-	-	-	-	-	-	-	15,931	14,273
Unreserved	13,012	14,301	15,525	16,551	18,528	14,488	15,362	26,101	-	-
Total general fund	\$ 14,106	\$ 14,697	\$ 15,887	\$ 17,121	\$ 19,096	\$ 14,934	\$ 15,917	\$ 26,507	\$ 36,072	\$ 43,557
All other Governmental Funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,889	\$ 34,853
Reserved	11,536	1,677	2,198	1,592	1,984	3,107	5,339	3,903	-	-
Designated for long-term debt	4,448	6,930	3,067	2,725	4,289	8,691	11,759	13,952	-	-
Unassigned	-	-	-	-	-	-	-	-	(1,741)	(366)
Unreserved, reported in:										
Special revenue funds	3,819	9,379	6,222	3,422	3,366	2,571	(1,852)	(1,674)	-	-
Capital projects funds	1,047	3,882	6,143	7,093	7,894	11,118	10,960	8,043	-	-
Total all other governmental funds	\$ 20,850	\$ 21,868	\$ 17,630	\$ 14,832	\$ 17,533	\$ 25,487	\$ 26,206	\$ 24,224	\$ 33,148	\$ 34,487

¹ The City of Iowa City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, effective the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

CITY OF IOWA CITY, IOWA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property taxes and assessments	\$ 31,966	\$ 35,538	\$ 36,677	\$ 39,011	\$ 42,905	\$ 44,835	\$ 48,572	\$ 59,143	\$ 59,387	\$ 61,649
Licenses and permits	961	1,361	1,255	1,279	1,404	1,270	1,284	1,211	1,412	1,307
Intergovernmental	12,193	12,058	15,546	14,260	13,455	12,764	19,521	31,404	29,870	21,952
Charges for services	4,674	3,240	3,301	2,227	2,423	2,228	2,498	2,433	2,515	2,614
Use of money and property	997	1,002	1,354	2,203	3,378	3,206	2,645	1,599	1,479	1,768
Miscellaneous	2,558	4,377	4,121	4,176	3,858	3,977	5,302	4,784	7,749	5,750
Total governmental activities revenues	\$ 53,349	\$ 57,576	\$ 62,254	\$ 63,156	\$ 67,423	\$ 68,280	\$ 79,822	\$ 100,574	\$ 102,412	\$ 95,040
Expenditures										
Current										
Public safety	\$ 13,115	\$ 14,025	\$ 14,601	\$ 15,819	\$ 16,412	\$ 18,705	\$ 18,752	\$ 19,108	\$ 18,717	\$ 20,091
Public works	8,149	9,156	9,698	10,351	12,452	12,108	12,405	13,311	14,766	15,462
Culture and recreation	8,061	9,392	9,183	10,122	10,261	10,703	10,849	11,266	12,498	13,075
Community and economic development	3,715	3,486	6,375	4,698	3,445	4,437	8,037	10,520	8,878	8,037
General government	5,887	6,080	6,282	6,510	7,194	7,207	7,300	7,191	7,695	7,553
Debt service										
Principal	4,742	5,172	9,349	6,099	6,700	7,323	8,418	9,354	10,386	13,294
Interest	3,683	3,336	3,676	3,458	3,464	3,556	3,364	3,064	2,889	2,543
Capital projects	20,095	16,065	13,939	15,153	13,000	11,811	17,096	17,690	21,873	16,006
Total expenditures	\$ 67,447	\$ 66,712	\$ 73,103	\$ 72,210	\$ 72,928	\$ 75,850	\$ 86,221	\$ 91,504	\$ 97,702	\$ 96,061
Excess (deficiency) of revenues over (under) expenditures	\$ (14,098)	\$ (9,136)	\$ (10,849)	\$ (9,054)	\$ (5,505)	\$ (7,570)	\$ (6,399)	\$ 9,070	\$ 4,710	\$ (1,021)
Other financing sources (uses):										
Issuance of long-term debt	\$ 10,600	\$ 12,875	\$ 7,020	\$ 7,265	\$ 8,870	\$ 9,150	\$ 30,035	\$ -	\$ 16,165	\$ 9,690
Issuance of refunding debt	-	-	-	-	-	-	-	-	10,930	-
Sale of capital assets	-	384	406	109	470	111	554	222	845	3,619
Insurance Recoveries	-	-	-	-	-	-	-	20	594	53
Issuance of note payable	-	-	211	-	-	-	-	-	-	-
Premium (discount) on issuance of bonds	93	(19)	43	29	-	16	552	-	394	165
Payment of refunded bonds	(6,415)	-	0	-	-	-	(23,140)	-	(11,085)	-
Transfers in	15,172	14,614	15,776	21,627	21,552	25,413	16,486	16,742	18,658	19,499
Transfers out	(14,554)	(16,733)	(15,237)	(21,540)	(20,711)	(23,328)	(16,386)	(17,446)	(22,722)	(23,181)
Total other financing sources (uses)	\$ 4,896	\$ 11,121	\$ 8,219	\$ 7,490	\$ 10,181	\$ 11,362	\$ 8,101	\$ (462)	\$ 13,779	\$ 9,845
Net change in fund balances	\$ (9,202)	\$ 1,985	\$ (2,630)	\$ (1,564)	\$ 4,676	\$ 3,792	\$ 1,702	\$ 8,608	\$ 18,489	\$ 8,824
Debt service as a percentage of noncapital expenditures	17.0%	16.3%	21.5%	16.6%	17.0%	16.6%	17.0%	15.3%	16.2%	18.6%

CITY OF IOWA CITY, IOWA

GENERAL GOVERNMENT TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(Modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Road Use Tax</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax¹</u>	<u>Utility Franchise Fee²</u>	<u>Total</u>
2003	31,966	5,103	559	-	-	37,628
2004	34,958	5,311	580	-	-	40,849
2005	36,076	5,269	611	-	-	41,956
2006	38,336	5,303	674	-	-	44,313
2007	42,221	5,305	683	-	-	48,209
2008	44,101	5,432	734	-	-	50,267
2009	47,861	5,254	713	-	-	53,828
2010	50,256	5,525	699	8,141	47	64,668
2011	48,831	6,068	776	8,912	868	65,455
2012	51,374	6,394	811	8,644	822	68,045

¹ 1% Local Option Sales Tax went into effect 7/1/09 and will be effective through 6/30/13.

² 1% Utility Franchise Fee went into effect 4/1/10.

CITY OF IOWA CITY, IOWA

ASSESSED AND TAXABLE VALUE OF PROPERTY

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Fiscal Year Ended June 30</u>	<u>Taxable Property Assessed Value¹</u>		<u>Exempt Property Assessed Value²</u>	<u>Total Assessed Value</u>	<u>Total Taxable Value³</u>	<u>Taxable Value as a Percentage of Assessed Value</u>	<u>Total Direct Tax Rate</u>
	<u>Residential</u>	<u>Commercial, Industrial & Utilities</u>					
2003	1,932,822	974,519	41,263	2,948,604	1,905,266	64.62	16.813
2004	1,985,686	974,592	49,207	3,009,485	1,945,778	64.65	17.596
2005	2,154,801	1,038,402	49,239	3,242,442	2,027,311	62.52	17.314
2006	2,236,610	1,057,573	46,318	3,340,501	2,079,944	62.26	17.729
2007	2,644,770	1,213,802	46,103	3,904,675	2,320,294	59.42	17.302
2008	2,733,046	1,197,203	44,966	3,975,215	2,384,891	59.99	17.297
2009	3,011,803	1,253,641	47,992	4,313,436	2,520,763	58.44	17.717
2010	3,089,816	1,272,250	48,481	4,410,547	2,632,395	59.68	17.853
2011	3,123,398	1,294,522	49,572	4,467,492	2,710,118	60.66	17.853
2012	3,183,160	1,304,979	51,501	4,539,640	2,798,262	61.64	17.269

Sources:

- ¹City of Iowa City Budget Book
- ²City of Iowa City Budget Book
- ³City of Iowa City Budget Book

Notes:

Property is reassessed in the odd numbered years to make adjustments to all property values, according to current market values. As per the Code of Iowa, all real property subject to taxation shall be valued at its actual value and, except as otherwise provided, shall be reassessed at 100% of its actual value.

Exempt property includes all property that is owned by religious and educational institutions, charitable and benevolent taxable property. Property owned by governmental entities is not taxable and is not included in "Exempt Property".

Tax rates are per \$1,000 of assessed value.

CITY OF IOWA CITY, IOWA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years
(per \$1,000 assessed valuation)

Fiscal Year	City of Iowa City			Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Iowa City School District	Kirkwood Community College	State of Iowa		
2003	12.652	4.161	16.813	12.210	0.666	0.004	0.004	35.754
2004	13.026	4.570	17.596	12.865	0.679	0.004	0.004	37.247
2005	13.360	3.954	17.314	12.875	0.668	0.004	0.004	37.027
2006	13.580	4.149	17.729	13.582	0.649	0.004	0.004	38.355
2007	13.423	3.879	17.302	13.632	0.872	0.004	0.004	38.225
2008	13.511	3.786	17.297	14.192	0.852	0.004	0.004	40.148
2009	13.498	4.219	17.717	14.191	0.840	0.003	0.003	40.459
2010	13.319	4.438	17.757	14.690	0.926	0.003	0.003	40.916
2011	13.193	4.649	17.842	14.590	0.999	0.003	0.003	40.754
2012	12.826	4.443	17.269	14.073	1.079	0.003	0.003	39.499

Source: "Tax Levies for Johnson County, Iowa," compiled by the Johnson County Auditor.

Note:

¹Includes Johnson County, City of Iowa City Assessor, and Agricultural Extension levies.

CITY OF IOWA CITY, IOWA

PROPERTY TAX BUDGETS AND COLLECTIONS

Last Ten Fiscal Years
(Cash basis of accounting)

(amounts expressed in thousands)

<u>Collection Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections¹</u>	<u>Total Tax Collections</u>	<u>Total as a Percent of Levy</u>
2003	31,975	31,863	99.6	16	31,879	99.7
2004	34,073	34,009	99.8	23	34,032	99.9
2005	34,403	34,814	101.2	15	34,829	101.2
2006	36,460	36,654	100.5	44	36,698	100.7
2007	39,094	38,947	99.6	13	38,960	99.7
2008	39,973	39,768	99.5	70	39,838	99.7
2009	43,168	43,118	99.9	18	43,136	99.9
2010	45,393	45,318	99.8	17	45,335	99.9
2011	47,789	47,826	100.1	8	47,834	100.1
2012	49,590	49,543	99.9	1	49,544	99.9

Source: Certificate of City Taxes and Johnson County Treasurer's Office

Note: This schedule is presented on a cash basis of accounting. Taxes are collected by the Johnson County Treasurer and submitted to the City in the following month. Because of the month delay, some years will show Current Tax Collections in excess of the Total Tax Levied.

¹ Delinquent tax collection is presented by collection year, rather than levy year, because information is not available from Johnson County Treasurer by levy year.

CITY OF IOWA CITY, IOWA

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

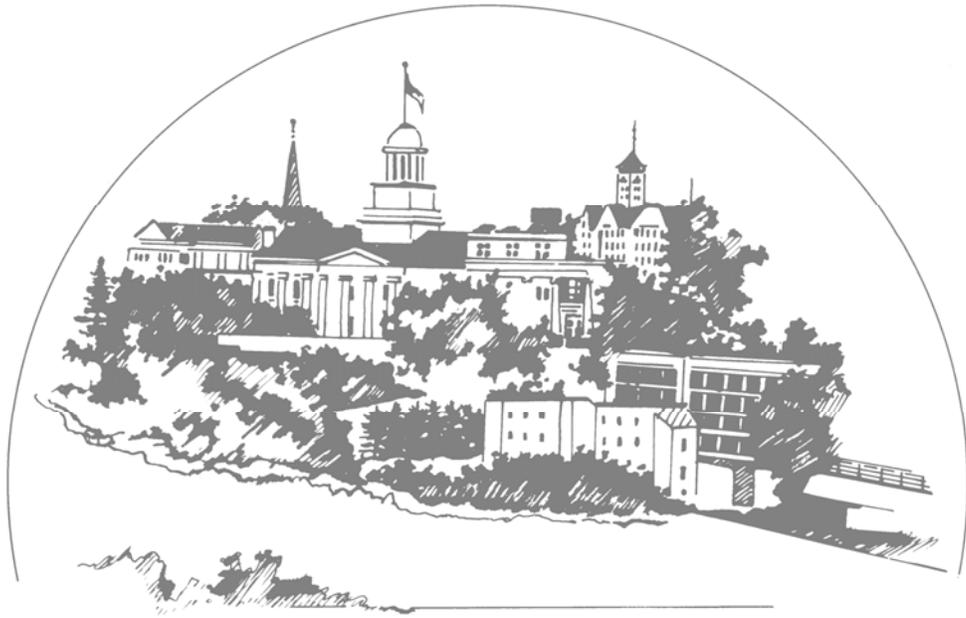
(amounts expressed in thousands)

	2003			2012		
	<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>	<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>
<u>Ten largest taxpayers</u> ¹						
ACT Inc. (formerly American College Testing Program)	\$ 19,102	3	0.57 %	\$ 47,985	1	1.06 %
Mid-American Energy Company ²	45,013	1	1.33	44,301	2	0.98
Russell Gerdin	-	-	N/A	20,968	3	0.46
Southgate Development Company	16,774	4	0.50	18,273	4	0.40
MEHSM LC (Sycamore Mall)	10,168	10	0.30	16,375	5	0.36
Alpha Inc	-	-	N/A	16,083	6	0.35
Proctor & Gamble LLC	15,944	5	0.47	15,086	7	0.33
NCS Pearson	15,360	6	0.46	14,410	8	0.32
United Natural Foods	-	-	N/A	12,903	9	0.28
CCA: Hawk Ridge Dr LLC Lodge Apts	-	-	N/A	12,052	10	0.27
Jame A and Lorretta Clark	25,693	2	0.76	-	-	N/A
Old Capitol Mall Associates LP	-	-	N/A	-	-	N/A
Hy-Vee	13,341	7	0.40	-	-	N/A
Sheraton Hotel	12,113	9	0.36	-	-	N/A
Edwin&Ethel Barker &Barker Partnership	12,162	8	0.36	-	-	N/A
Total	\$ 185,670		5.50 %	\$ 218,436		4.81 %

Sources:

¹City of Iowa City Assessor's Office - 2010 Annual Report

²State Department of Revenue



CITY OF IOWA CITY, IOWA

PRINCIPAL WATER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	2003			2012		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 666,555	1	7.16 %	\$ 589,583	1	7.41 %
Veterans Administration Medical Center	150,112	2	1.61	108,018	2	1.36
Mercy Hospital	108,676	5	1.17	71,544	3	0.90
Rus Property Management/Lakeside Manor	114,780	3	1.23	70,173	4	0.88
Campus Apartments	80,808	6	0.87	62,159	5	0.78
Mark IV Apts	55,943	10	0.60	59,404	6	0.75
University of Iowa/Mayflower Apartments	64,046	8	0.69	44,794	7	0.56
ACT	-	-	N/A	38,819	8	0.49
Seville Apts	-	-	N/A	33,505	9	0.42
RBD Iowa City LLC (Sheraton Hotel)	-	-	N/A	32,246	10	0.41
Roberts Dairy	62,799	9	0.67	-	-	N/A
Lear Corp	109,126	4	1.17	-	-	N/A
University of Iowa	79,495	7	0.85	-	-	N/A
	<u>\$ 1,492,340</u>		<u>16.03 %</u>	<u>\$ 1,110,245</u>		<u>13.96 %</u>
Total Water System Charges	\$ 9,308,824			\$ 7,953,738		

Sources:

City of Iowa City Revenue Department
 2003 form City of Iowa Revenue Dept

CITY OF IOWA CITY, IOWA

SALES HISTORY AND TOTAL WATER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Sales Cubic Feet Sold</u>	<u>Water System Charges</u>
2003	257,788,030	9,308,824
2004	253,454,012	8,850,608
2005	254,560,239	8,315,719
2006	267,107,998	8,844,993
2007	261,072,632	8,414,310
2008	249,361,929	7,976,536
2009	234,804,167	7,497,903
2010	234,342,825	7,568,378
2011	236,838,370	7,661,898
2012	246,618,257	7,953,738

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

PRINCIPAL SEWER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	2003			2012		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	2,161,531	1	17.99 %	\$ 2,127,659	1	16.64 %
Proctor & Gamble	1,479,347	2	12.31	1,051,742	2	8.23
Veterans Administration Medical Center	152,496	5	1.27	169,399	3	1.33
Mercy Hospital	113,751	7	0.95	122,441	4	0.96
Iowa City Landfill Division	-	-	N/A	120,138	5	0.94
Dolphin Lake Point (Lakeside Apts)	152,502	4	1.27	119,505	6	0.93
Mark IV Apartments	-	-	N/A	85,055	7	0.67
Campus Apartments	83,803	9	0.70	84,386	8	0.66
University of Iowa/Mayflower Apartments	86,699	8	0.72	79,062	9	0.62
RBD Iowa City LLC (Sheraton Hotel)	67,566	10	0.56	56,092	10	0.44
Roberts Dairy	126,233	6	1.05	-	-	N/A
Lear Corp	154,152	3	1.28	-	-	N/A
	<u>\$ 4,578,080</u>		<u>38.10 %</u>	<u>\$ 4,015,479</u>		<u>31.41 %</u>
Total Sewer System Charges	\$ 12,015,122			\$ 12,784,321		

Sources:

City of Iowa City Revenue Department

April 2002 Sewer Revenue Bond Transcript Official Statement

Principal sewer system customers not available for 2003, so used information from 2002 to be able to provide comparative information.

CITY OF IOWA CITY, IOWA

SALES HISTORY AND TOTAL SEWER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Sales Cubic Feet Sold</u>	<u>Sewer System Charges</u>
2003	297,084,229	12,015,122
2004	294,683,685	12,482,393
2005	297,714,953	12,557,646
2006	302,925,357	12,373,762
2007	315,199,203	11,084,369
2008	285,492,596	12,221,769
2009	276,455,246	12,499,949
2010	265,375,857	12,541,905
2011	280,303,237	12,748,695
2012	282,134,840	12,784,321

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income ²	Per Capita ²
	General Obligation Bonds ¹	Capital Loan Note	General Obligation Bonds ¹	Revenue Bonds ¹	Government			
2003	\$ 71,726,857	\$ -	\$ 11,273,987	\$ 119,154,140	\$ 202,154,984	4.77%	\$ 3,241	
2004	79,403,207	-	9,562,165	114,626,190	203,591,562	4.47%	3,264	
2005	77,105,405	211,000	8,202,996	109,918,239	195,437,640	4.16%	3,133	
2006	78,286,801	211,000	6,813,828	104,975,288	190,286,917	3.76%	3,026	
2007	80,441,894	211,000	5,458,633	99,892,337	186,003,864	3.42%	2,774	
2008	82,268,532	211,000	4,885,710	94,549,386	181,914,628	3.18%	2,682	
2009	81,222,533	211,000	4,317,787	87,875,855	173,627,175	3.00%	2,513	
2010	71,791,737	211,000	3,731,167	79,281,888	155,015,792	2.56%	2,284	
2011	77,743,957	211,000	3,130,849	75,857,306	156,943,112	2.49%	2,276	
2012	74,225,654	211,000	1,483,473	69,059,307	144,979,434	2.19%	2,103	

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ Bonds reported net of related premiums and discounts.

² Population and personal income information can be found on page 136.

CITY OF IOWA CITY, IOWA

**RATIOS OF GENERAL OBLIGATION BONDED DEBT¹
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

Fiscal Year	Property Assessed Value²	Debt Payable from		Gross Bonded Debt	Debt Service Fund Balance	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita³
		Governmental	Proprietary					
2003	\$ 2,948,604	\$ 71,727	\$ 11,274	\$ 83,001	\$ 4,448	\$ 78,553	26.64:1000	\$ 1,259
2004	3,009,485	79,403	9,562	88,965	6,930	82,035	27.26:1000	1,315
2005	3,242,442	77,105	8,203	85,308	3,067	82,241	25.36:1000	1,318
2006	3,340,501	78,287	6,814	85,101	2,725	82,376	24.66:1000	1,310
2007	3,904,675	80,442	5,459	85,901	4,289	81,612	20.90:1000	1,217
2008	3,975,215	82,268	4,886	87,154	8,691	78,463	19.74:1000	1,157
2009	4,313,436	81,222	4,318	85,540	11,759	73,781	17.10:1000	1,068
2010	4,410,547	71,792	3,731	75,523	13,952	61,571	13.96:1000	907
2011	4,467,492	77,744	3,131	80,875	13,151	67,724	15.16:1000	982
2012	4,539,640	74,226	1,483	75,709	11,009	64,700	14.25:1000	938

Notes:

¹ General Obligation bonds, net of related premiums and discounts.

² City of Iowa City Budget Book.

³ Population data can be found on page 136.

CITY OF IOWA CITY, IOWA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES¹**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Governmental Expenditures and Transfers	Ratio of Debt Service to General Expenditures
2003	\$ 4,742	\$ 3,683	\$ 8,425	\$ 82,001	.10 : 1.00
2004	5,172	3,336	8,508	83,445	.10 : 1.00
2005	9,349	3,676	13,025	88,342	.15 : 1.00
2006	6,099	3,458	9,557	93,360	.10 : 1.00
2007	6,700	3,464	10,164	93,639	.11 : 1.00
2008	7,323	3,556	10,879	99,178	.11 : 1.00
2009	8,418	3,364	11,782	102,607	.11 : 1.00
2010	9,354	3,064	12,418	108,950	.11 : 1.00
2011	10,386	2,889	13,275	120,424	.11 : 1.00
2012	13,294	2,543	15,837	119,242	.13 : 1.00

Notes:

¹ General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

CITY OF IOWA CITY, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2012

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Direct Debt Outstanding</u>	<u>% Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Per Capita</u>
City of Iowa City	\$ 75,920	100.00%	\$ 75,920	\$ 1,101.137497
Iowa City Community School District	<u>17,990</u>	59.07%	<u>10,627</u>	<u>154.1344675</u>
Total	<u>\$ 93,910</u>		<u>\$ 86,547</u>	<u>\$ 1,255</u>
Per capita assessed value				<u>\$ 65,842</u>

Source: Johnson County Auditor's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Iowa City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF IOWA CITY, IOWA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 145,482	\$ 148,125	\$ 159,759	\$ 164,799	\$ 190,769	\$ 196,589	\$ 213,350	\$ 218,974	\$ 222,655	\$ 226,982
Total net debt applicable to limit	83,000	88,985	85,290	85,060	85,840	87,090	84,995	75,050	80,575	75,320
Legal debt margin	\$ 62,482	\$ 59,140	\$ 74,469	\$ 79,739	\$ 104,929	\$ 109,499	\$ 128,355	\$ 143,924	\$ 142,080	\$ 151,662
Total net debt applicable to the limit as a percentage of debt limit	57.05%	60.07%	53.39%	51.61%	45.00%	44.30%	39.84%	34.27%	36.19%	33.18%

Legal Debt Margin Calculation for Fiscal Year 2012

Total Assessed Valuation	\$ 4,539,640
Debt Limit - 5% of Total Assessed Valuation	226,982
Less: Amount of Debt Applicable to Debt Limit	75,320
Legal Debt Margin	\$ 151,662

Note: Under Iowa code, the city's outstanding general obligation debt should not exceed 5 percent of total assessed property value.

CITY OF IOWA CITY, IOWA

GENERAL OBLIGATION DEBT ANNUAL MATURITY SCHEDULE

Fiscal Year	Payments			Funding Source(s)			Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Property Tax Revenue	Tax Increment Financing	Water Revenue	
2012 ¹	\$ 14,945,000	\$ 3,188,979	\$ 18,133,979	\$ 15,167,961	\$ 668,978	\$ 1,770,465	\$ 80,575,000
2013	11,560,000	2,356,124	13,916,124	12,889,263	666,403	360,458	75,320,000
2014	10,980,000	2,040,470	13,020,470	12,008,030	668,115	344,325	63,760,000
2015	10,860,000	1,706,165	12,566,165	11,564,062	668,878	333,225	52,780,000
2016	10,320,000	1,364,870	11,684,870	10,694,055	673,690	317,125	41,920,000
2017	8,745,000	1,035,977	9,780,977	8,797,825	677,090	306,062	31,600,000
2018	7,620,000	765,478	8,385,478	7,706,544	678,934	-	22,855,000
2019	5,160,000	515,303	5,675,303	4,995,869	679,434	-	15,235,000
2020	4,545,000	350,227	4,895,227	4,212,043	683,184	-	10,075,000
2021	3,240,000	202,571	3,442,571	2,752,831	689,740	-	5,530,000
2022	1,630,000	91,377	1,721,377	1,027,612	693,765	-	2,290,000
2023	660,000	35,640	695,640	-	695,640	-	660,000
Total	\$ 90,265,000	\$ 13,653,181	\$ 103,918,181	\$ 91,816,095	\$ 8,143,851	\$ 3,431,660	

Notes:

¹ Additional principal and interest payments above the funding sources for 2012 were funded through the refunding of bonds issued June 2011.

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>June 30</u>	<u>Revenue</u>	<u>Expenses</u> ¹	Net Revenue Available for <u>Debt Service</u>	Annual Debt Service ²			Ratio of <u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
Parking Revenue³							
2003	\$ 4,198	\$ 1,953	\$ 2,245	\$ 375	\$ 715	\$ 1,090	2.06
2004	4,164	2,319	1,845	395	687	1,082	1.71
2005	4,360	2,377	1,983	305	663	968	2.05
2006	4,161	2,380	1,781	320	645	965	1.85
2007	5,035	2,973	2,062	335	626	961	2.15
2008	4,995	2,454	2,541	355	606	961	2.64
2009	5,630	3,024	2,606	370	584	954	2.73
2010 ⁶	5,509	3,149	2,360	390	504	894	2.64
2011	5,389	2,920	2,469	420	391	811	3.04
2012	4,945	3,034	1,911	500	339	839	2.28
Wastewater Treatment Revenue⁴							
2003	\$ 13,000	\$ 4,463	\$ 8,537	\$ 3,060	\$ 4,385	\$ 7,445	1.15
2004	12,947	4,523	8,424	3,280	3,672	6,952	1.21
2005	12,600	4,432	8,168	3,630	3,537	7,167	1.14
2006	12,798	4,260	8,538	3,815	3,390	7,205	1.19
2007	13,708	4,236	9,472	3,905	3,234	7,139	1.33
2008 ⁶	13,332	4,581	8,751	4,105	3,071	7,176	1.22
2009 ⁶	13,462	5,202	8,260	4,260	2,813	7,073	1.17
2010 ⁶	13,174	5,050	8,124	4,205	2,307	6,512	1.25
2011 ⁶	13,281	5,477	7,804	1,840	2,054	3,894	2.00
2012	13,175	5,663	7,512	4,615	1,693	6,308	1.19
Water Revenue⁵							
2003	\$ 10,241	\$ 4,361	\$ 5,880	\$ 500	\$ 1,088	\$ 1,588	3.70
2004	10,627	4,360	6,267	925	1,427	2,352	2.66
2005	9,287	4,783	4,504	845	1,340	2,185	2.06
2006	9,918	5,722	4,196	880	1,305	2,185	1.92
2007	9,220	5,356	3,864	915	1,268	2,183	1.77
2008 ⁶	9,258	5,348	3,910	955	1,229	2,184	1.79
2009 ⁶	8,833	5,726	3,107	995	1,171	2,166	1.43
2010 ⁶	8,336	5,153	3,183	680	1,055	1,735	1.83
2011	8,354	5,464	2,890	1,110	902	2,012	1.44
2012 ⁶	8,649	5,653	2,996	1,200	861	2,061	1.45

Notes:

¹ Excludes depreciation and interest.

² Includes principal and interest of revenue bonds only.

³ Parking Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.25.

⁴ Wastewater Treatment Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

⁵ Water Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

⁶ Refunded Revenue Bonds paid are excluded from the principal of Annual Debt Service.

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY SCHEDULE

Fiscal Year	Payments			Funding Source(s)			Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Sewer Revenue	Parking Revenue	Water Revenue	
2012 ¹	\$ 11,730,000	\$ 2,893,609	\$ 14,623,609	\$ 6,308,000	\$ 839,200	\$ 2,061,409	\$ 74,965,000
2013	6,225,000	2,628,392	8,853,392	6,411,888	838,975	1,602,529	68,185,000
2014	5,115,000	2,376,927	7,491,927	4,668,681	838,300	1,984,946	61,960,000
2015	5,290,000	2,206,665	7,496,665	4,674,900	832,250	1,989,515	56,845,000
2016	5,500,000	2,015,284	7,515,284	4,695,119	832,950	1,987,215	51,555,000
2017	5,670,000	1,807,671	7,477,671	4,659,575	830,150	1,987,946	46,055,000
2018	5,900,000	1,588,928	7,488,928	4,661,575	831,450	1,995,903	40,385,000
2019	6,105,000	1,359,765	7,464,765	4,646,400	826,850	1,991,515	34,485,000
2020	6,360,000	1,107,916	7,467,916	4,647,463	826,350	1,994,103	28,380,000
2021	6,100,000	844,484	6,944,484	4,118,013	828,900	1,997,571	22,020,000
2022	4,930,000	608,538	5,538,538	2,717,288	824,469	1,996,781	15,920,000
2023	3,760,000	421,883	4,181,883	1,361,250	823,869	1,996,764	10,990,000
2024	2,795,000	276,097	3,071,097	793,250	824,000	1,453,847	7,230,000
2025	2,825,000	143,106	2,968,106	797,250	712,375	1,458,481	4,435,000
2026	1,610,000	38,163	1,648,163	794,375	-	853,788	1,610,000
Total	\$ 79,915,000	\$ 20,317,428	\$ 100,232,428	\$ 55,955,027	\$ 11,510,088	\$ 27,352,313	

Notes:

¹ Additional principal payments above the funding sources for 2012 were funded through the refunding of bonds issued June 2012.

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE

Parking			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding Interest</u>	<u>Total</u>
2012	\$ 500,000	\$ 339,200	\$ 839,200
2013	515,000	323,975	838,975
2014	530,000	308,300	838,300
2015	540,000	292,250	832,250
2016	560,000	272,950	832,950
2017	580,000	250,150	830,150
2018	605,000	226,450	831,450
2019	625,000	201,850	826,850
2020	650,000	176,350	826,350
2021	680,000	148,900	828,900
2022	705,000	119,469	824,469
2023	735,000	88,869	823,869
2024	770,000	54,000	824,000
2025	695,000	17,375	712,375
Total	<u>\$ 8,690,000</u>	<u>\$ 2,820,088</u>	<u>\$ 11,510,088</u>

Sewer			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding Interest</u>	<u>Total</u>
2012	\$ 4,615,000	\$ 1,693,000	\$ 6,308,000
2013	4,865,000	1,546,888	6,411,888
2014	3,250,000	1,418,681	4,668,681
2015	3,370,000	1,304,900	4,674,900
2016	3,520,000	1,175,119	4,695,119
2017	3,625,000	1,034,575	4,659,575
2018	3,775,000	886,575	4,661,575
2019	3,915,000	731,400	4,646,400
2020	4,090,000	557,463	4,647,463
2021	3,740,000	378,013	4,118,013
2022	2,485,000	232,288	2,717,288
2023	1,220,000	141,250	1,361,250
2024	700,000	93,250	793,250
2025	740,000	57,250	797,250
2026	775,000	19,375	794,375
Total	<u>\$ 44,685,000</u>	<u>\$ 11,270,027</u>	<u>\$ 55,955,027</u>

(continued)

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)

Fiscal Year	Water		
	Principal	Outstanding	
		Interest	Total
2012 ¹	\$ 1,200,000	\$ 861,409	\$ 2,061,409
2013	845,000	757,529	1,602,529
2014	1,335,000	649,946	1,984,946
2015	1,380,000	609,515	1,989,515
2016	1,420,000	567,215	1,987,215
2017	1,465,000	522,946	1,987,946
2018	1,520,000	475,903	1,995,903
2019	1,565,000	426,515	1,991,515
2020	1,620,000	374,103	1,994,103
2021	1,680,000	317,571	1,997,571
2022	1,740,000	256,781	1,996,781
2023	1,805,000	191,764	1,996,764
2024	1,325,000	128,847	1,453,847
2025	1,390,000	68,481	1,458,481
2026	835,000	18,788	853,788
Total	<u>\$ 21,125,000</u>	<u>\$ 6,227,313</u>	<u>\$ 27,352,313</u>

Notes:

¹Amounts for Principal excludes called revenue bonds.

CITY OF IOWA CITY, IOWA
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population⁶</u>	<u>Per Capita</u>			<u>Unemployment Rate³</u>	<u>Retail Sales⁴</u>
		<u>Personal Income¹</u>	<u>Average Increase</u>	<u>School Enrollment²</u>		
2003	62,380	4,238,881	30,616	1.44%	11,700	776,693,440
2004	62,380	4,556,578	32,372	5.74%	11,885	854,156,442
2005	62,380	4,702,875	33,066	2.14%	11,866	878,009,171
2006	62,887	5,054,903	35,038	5.96%	11,988	901,481,066
2007	67,062	5,440,966	37,325	6.53%	12,824	934,971,428
2008	67,831	5,716,364	38,892	4.20%	12,911	958,509,729
2009	69,086	5,783,699	38,299	-1.52%	13,049	905,139,461
2010 ⁵	67,862	6,043,695	39,305	2.63%	13,319	725,329,723
2011 ⁵	68,947	6,314,086	40,637	3.39%	13,638	741,407,021
2012	68,947	6,607,841	42,014	3.39%	13,862	767,122,555

Sources and Notes:

¹ Personal Income and Per Capita Personal Income based on metropolitan Iowa City / Coralville and based on figures from Bureau of Economic Analysis. Personal Income expressed in thousands.

² Iowa City Community School District and local private schools

³ Iowa Workforce Development Center

⁴ Iowa Retail Sales & Use Report, Iowa Department of Revenue and Finance. Fiscal year ending March 31.

⁵ Personal Income and Per Capita Personal Income for 2010 and 2011 not available. Amounts projected based on average increase over previous 9 years.

⁶ US Census Bureau

CITY OF IOWA CITY, IOWA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

	2003		2012		Percentage
	Employees	Rank	Employees	Rank	
University of Iowa and University of Iowa Hospital and Clinics	22,319	1	30,804	1	34.2 %
Iowa City Community School District	1,600	2	1,700	2	1.9
Veterans Administration Medical Center	1,300	3	1,562	3	1.7
ACT Inc. (formerly American College Testing Program)	1,100	6	1,243	4	1.4
City of Iowa City	627	10	1,216	5	1.4
Mercy Hospital	1,150	5	1,208	6	1.3
NCS Pearson	1,194	4	1,200	7	1.3
Hy-Vee	927	8	1,166	8	1.3
System Unlimited	N/A	N/A	890	9	1.0
International Automotive Components formerly Lear Corp	930	7	785	10	0.9
Gillette Canada (Oral B Laboratories)	800	9	-	-	N/A
	<u>31,947</u>		<u>41,774</u>		<u>46.4 %</u>
Total Employees			90,000		

Sources:

Iowa City Area Development Group

Note:

Total number of employees is not available for 2003; percentage of total city employment by employer is not presented.

CITY OF IOWA CITY, IOWA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Full-Time Equivalent Employees as of June 30

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety							
Police	97.25	97.25	94.25	94.25	96.25	96.25	103.25
Fire	58	58	56	57	57	57	57
Animal Shelter	6	6	6	6	6	6	6
Inspection Services	14.13	14.13	13.88	14.88	14.88	15.38	15.55
Public Works							
Public Works Admin	2	2	2	2	2	2	2
Engineering	13.6	13.6	11.6	11.6	11.6	11.35	11.35
Flood Recovery	-	-	-	-	-	-	-
Culture and Recreation							
Parks and Rec Admin	2	2	2	2	2	2	2
Recreation	15.17	15.17	15.17	15.17	15.42	15.42	15.42
Parks	13	13	12	13	13	13	13
Forestry	3	3	3	3	3	3	3
Cemetery	3	3	3	3	3	3	3
CBD Maintenance	3	3	3	3	3	3	3
Library	41.25	43.25	42.63	42.63	42.89	43.14	43.14
Senior Center	5.81	5.81	6.31	6.31	6.31	6.31	6.31
Community and Economic Development	8.35	9.45	8.45	8.45	8.45	8.95	9.05
General Government							
City Council	7	7	7	7	7	7	7
City Manager	3	3	3	3	3	3	3
City Clerk	4	4	4	4	4	4	4
City Attorney	6.6	6.6	6.6	6.6	6.6	6.6	6
Tort Liability, Insurance	-	-	-	-	-	-	1
Personnel	4	4	4	4	4	4	4
Finance	28.61	28.61	26.61	26.75	26.75	26.5	25.3
Government Buildings	4.96	4.96	4.96	4.96	4.96	4.96	4.96
Energy Conservation	0.5	0.5	0.5	0.5	0.5	0.25	0.25
Human Rights	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Transit	48.5	48.5	50.5	50.5	50.5	54.75	58.5
Special Revenue							
Employee Benefits	0.34	0.34	0.34	0.39	0.39	0.29	0.29
CIP / Roads	7	7	3	2	2	1	2
Flood Mitigation Grants	-	-	-	-	-	-	-
Community Development	5.45	5.35	4.35	4.35	4.35	3.98	3.88
Traffic Engineering	5.65	5.65	5.65	4.15	4.15	4.15	4.15
Streets	22	22	22	23.5	23.5	23.5	25.5
MPOJC (formerly JCCOG)	6.1	6.1	6.1	6.6	6.6	6.6	6.6
Library Development	1.5	1.5	0.8	1	1	1	1
Capital Project Administration	-	-	-	-	-	-	-
Internal Service Funds							
Information Technology	7.5	7.5	8	11.75	12	12.3	12.3
Equipment	11.25	11.26	11.25	11.26	11.26	11.26	11.26
Central Services	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Risk Management	1.33	1.33	1.32	1.38	1.38	1.73	1.93
Business-Type Activities							
Parking	31.5	31.5	32.75	32.75	32.75	32.75	33.25
Wastewater Treatment	26.3	27.3	27.3	25.5	25.5	25.5	25.6
Water	30.7	31.7	31.7	32.5	32	32.75	32.75
Sanitation	32.35	32.35	34.35	33.85	33.85	34.85	34.85
Airport	2	2	2	1.6	1.6	1.6	1.75
Cable Television	6.19	6.19	6.19	6.19	6.19	6.19	6.44
Stormwater	-	-	-	0.5	1	2	1.9
Housing Authority	12.5	12.5	12.75	13.25	13.25	13.25	13.25
Total	<u>605.64</u>	<u>610.65</u>	<u>599.56</u>	<u>605.37</u>	<u>608.13</u>	<u>614.81</u>	<u>629.03</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>
103.25	98	97
57	66	65
6	6	6
15.55	15.55	15.55
2	2	2
11.35	12.1	12.1
-	0.4	0.4
2	2	2
15.42	15.42	15.42
13	13	13
3	3	3
3	3	3
3	3	3
43.14	43.14	43.64
6.31	6.31	6.5
9.05	9.1	9.1
7	7	7
3	3	3
4	4	4
6	5.6	5.6
1	1	1
4	4	4
25.3	25.24	26.53
4.96	4.96	4.83
0.25	-	-
2.5	2.5	2.5
58.5	56.25	56.25
0.29	0.26	0.55
2	-	-
-	1.6	1.6
3.88	3.83	3.83
4.15	4.15	4.15
25.5	25.5	25.5
6.6	6.6	6.6
1	1	1
-	3	5
12.3	11.3	11.8
11.26	11.26	11.26
0.75	0.75	0.75
1.93	2.01	1.8
33.25	32.75	32.75
25.6	25.6	25.4
32.75	32.75	32.75
35.85	35.85	37.85
1.75	1.75	1.75
6.44	6.69	6.63
1.9	1.9	2.1
<u>13.25</u>	<u>13.25</u>	<u>13.25</u>
630.03	633.37	637.74

CITY OF IOWA CITY, IOWA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police ¹										
Physical arrests	8,016	7,288	7,528	6,895	6,505	6,434	6,486	5,983	6,590	4,535
Traffic Violations	7,428	8,515	7,428	8,198	6,684	5,827	4,460	4,446	3,403	2,942
Fire ²										
Number of calls answered	3,546	3,518	3,596	3,679	4,136	4,257	4,152	4,472	4,635	4,017
Inspections conducted	936	975	1,083	1,232	1,495	1,712	1,959	2,145	1,806	1,323
Parking										
Parking Violations	186,674	155,338	145,033	139,338	166,187	147,673	126,050	118,717	109,553	96,117
Wastewater Treatment										
Daily average treatment in gallons ³	4,530,000	4,960,000	4,870,000	4,580,000	9,430,000	12,810,000	12,340,000	12,860,000	10,370,000	8,280,000
Maximum daily capacity of plant in gallons	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	41,000,000	41,000,000	41,100,000	41,100,000	41,100,000
Number of sewer system customers	20,708	21,165	21,552	22,046	22,481	22,909	23,161	23,344	23,527	23,529
Water										
Daily average consumption in gallons	6,034,000	5,742,000	5,448,500	5,680,600	5,516,238	5,475,122	5,508,077	5,483,255	5,508,800	5,486,800
Maximum daily capacity of plant in gallons	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000
Water System Customers by Classification										
Residential	20,992	21,527	21,972	22,529	22,973	23,097	23,391	23,657	23,875	24,086
Commercial	1,358	1,377	1,400	1,408	1,448	1,465	1,494	1,481	1,498	1,489
Industrial	12	13	13	13	13	14	15	15	15	15
Other	127	125	129	134	137	138	144	153	156	200
Total Customers	22,489	23,042	23,514	24,084	24,571	24,714	25,044	25,306	25,544	25,790
Sanitation										
Number of Customers	13,806	13,983	14,158	14,371	14,556	14,574	14,700	14,831	14,926	15,030
Tonnage	8,062	8,716	8,667	8,463	8,722	8834	8,747	8,869	8,969	8,935
Landfill										
Tonnage	103,585	108,155	113,356	111,124	135,315	132,760	140,810	150,369	147,265	148,953

Sources: Various city divisions.

Notes:

¹ Numbers are based on a calendar year and 2011 figures are compiled through 10/10/12.

² Numbers are based on a calendar year and 2011 figures are compiled through 10/10/12 for inspection and 10/01/12 for calls.

³ Numbers for FY07 and after are based on both the North and South Wastewater Plants.



CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	17	18	18	18
Fire										
Stations	3	3	3	3	3	3	3	3	3	4
Fire apparatus	8	8	8	8	8	9	9	9	9	11
Public Works										
Streets										
Miles	256	259	262	262	268	269	270	272	272	275
Street lights	2,919	3,352	3,357	3,378	3,395	3,403	3,408	3,410	3,412	3,412
Culture and Recreation										
Library	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1	1
Acreage	40	40	40	40	40	40	40	40	40	40
Parks	50	61	61	61	61	61	61	40	41	41
Acreage	1,322	1,400	1,400	1,400	1,600	1,603	1,603	1,335	1,354	1,441
Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Ball diamonds	29	29	29	29	29	31	30	30	30	30
Tennis courts	12	12	12	12	12	12	12	12	12	12
Soccer fields	25	25	25	25	25	25	20	20	20	20

(continued)

CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION (continued)

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Parking Facilities Spaces	4 2,537	4 2,537	4 2,537	5 3,137	5 3,100	5 3,085	5 3,086	5 3,086	5 3,086	5 3,086
Wastewater Treatment										
Miles of sanitary sewer	269	274	277	280	286	288	289	291	292	294
Miles of storm sewer	98	102	105	110	117	118	120	122	124	127
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connectors	20,708	21,165	21,552	22,046	22,481	22,576	22,875	23,093	23,308	23,529
Water										
Miles of water mains	245	249	252	257	260	262	263	264	264	266
Number of city owned fire hydrants	2,243	2,340	2,448	2,474	2,569	2,575	2,635	2,662	2,680	2,735
Sanitation										
Landfills	1	1	1	1	1	1	1	1	1	1
Acreage	200	200	200	200	200	395	395	395	395	411

Sources: Various city divisions.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Iowa City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Iowa City, Iowa, and are reported in Part II of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
December 12, 2012



Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Iowa City, Iowa

Compliance

We have audited the compliance of the City of Iowa City, Iowa, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City of Iowa City, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Dubuque, Iowa
December 12, 2012

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce:			
Direct program:			
Economic Adjustment Assistance	11.307		\$ 712,207
Economic Adjustment Assistance	11.307		<u>201,603</u>
Total U.S. Department of Commerce			<u>913,810</u>
U.S. Department of Housing and Urban Development:			
Direct program:			
Community Development Block Grants/ Entitlement Grants	14.218		1,971,911
Community Development Block Grants/ Entitlement Grants	14.218		<u>422,435</u>
			<u>2,394,346</u>
Pass-through program from:			
Iowa Economic Development Authority:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-225	4,476,374
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-210	994,235
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-271	314,568
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-273	231,995
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-276	213,222
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRB-204	167,163
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-215	162,702
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-274	151,038
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-275 IC	83,542

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development: (continued)			
Pass-through program from: (continued)			
Iowa Economic Development Authority: (continued)			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRPG-226	\$ 50,000
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMI-007	33,179
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-010	2,984
			<u>6,881,002</u>
Direct program:			
Home Investment Partnerships Program	14.239		387,802
Home Investment Partnerships Program	14.239		259,262
Home Investment Partnerships Program	14.239		167,530
Home Investment Partnerships Program	14.239		49,713
			<u>864,307</u>
Public and Indian Housing	14.850		<u>142,826</u>
Section 8 Housing Choice Vouchers	14.871		<u>6,485,269</u>
Public housing funds cluster:			
Public Housing Capital Fund	14.872		136,967
Public Housing Capital Fund	14.872		4,507
Public Housing Capital Fund	14.872		396
			<u>141,870</u>
ARRA - Public Housing Capital Fund Stimulus Formula (Recovery Act)	14.885		<u>12,394</u>
Total Public Housing Funds Cluster			<u>154,264</u>
Total U.S. Department of Housing and Urban Development			<u>16,922,014</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice:			
Pass-through program from:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-12-34	<u>\$ 43,878</u>
Direct program:			
Bulletproof Vest Partnership Program	16.607		<u>5,231</u>
Pass-through program from:			
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	09-Hotspots/Interdiction	24,567
Public Safety Partnership and Community Policing Grants	16.710	10-Hotspots/Interdiction	<u>16,873</u>
			<u>41,440</u>
JAG cluster:			
Direct program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		25,407
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>6,167</u>
			31,574
Pass-through program from:			
Governor's Office of Drug Control Policy:			
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09JAG-17244	111,934
Direct program:			
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		<u>13,861</u>
Total JAG Program Cluster			<u>157,369</u>
Total U.S. Department of Justice			<u>247,918</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation:			
Direct program:			
Airport Improvement Program	20.106		\$ 1,183,480
Airport Improvement Program	20.106		167,600
Airport Improvement Program	20.106		11,330
			<u>1,362,410</u>
Pass-through program from:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-3715(651)--70-52	480,000
Highway Planning and Construction	20.205	12MPO-MPOJC	139,843
Highway Planning and Construction	20.205	BRM-3715(650)--8N-52	63,288
Highway Planning and Construction	20.205	FHWA IA08-03	978
			<u>684,109</u>
Iowa Department of Transportation and Metropolitan Planning Organization of Johnson County:			
Metropolitan Transportation Planning	20.505	12MPO-MPOJC	<u>35,157</u>
Direct program:			
Federal Transit – Formula Grants	20.507		1,101,703
Federal Transit – Formula Grants	20.507		82,632
Federal Transit – Formula Grants	20.507		37,270
			<u>1,221,605</u>
Pass-through program from:			
Iowa Department of Transportation:			
Transit Services Program Cluster:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	IA-16-X002-371-12	<u>86,690</u>
Job Access – Reverse Commute	20.516	IA-37-X022-371-12	62,845
Job Access – Reverse Commute	20.516	IA-37-X017-371-11	62,098
			<u>124,943</u>
New Freedom Program	20.521	IA-57-X001-371-12	<u>24,004</u>
Total Transit Services Program Cluster			<u>235,637</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation: (continued)			
Pass-through program from: (continued)			
Iowa Department of Public Safety, Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving			
Countermeasures Incentive Grants I	20.601	PAP 12-410, Task 41	\$ 16,432
Alcohol Impaired Driving			
Countermeasures Incentive Grants I	20.601	PAP 11-410, Task 39	<u>5,693</u>
			<u>22,125</u>
Total U.S. Department of Transportation			<u>3,561,043</u>
U.S. Department of Energy:			
Pass-through program from:			
	81.041	SEP09-005	3,600
Direct program:			
	81.128		<u>379,469</u>
Total U.S. Department of Energy			<u>383,069</u>
U.S. Department of Homeland Security:			
Pass-through program from:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)			
	97.036	FEMA-1763 DR-IA	<u>24,699</u>
Hazard Mitigation Grant	97.039	FEMA-DR-1763-0015 01	495,977
Hazard Mitigation Grant	97.039	DR-1763-0137-01	92,396
Hazard Mitigation Grant	97.039	HMGP-DR-1854-0006 01	<u>2,702</u>
			<u>591,075</u>
Direct program:			
Assistance to Firefighters Grant	97.044		10,339
Assistance to Firefighters Grant	97.044		<u>3,940</u>
			<u>14,279</u>
Total U.S. Department of Homeland Security			<u>630,053</u>
Total			<u>\$ 22,657,907</u>

See Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Iowa City, Iowa, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipients

Of the federal expenditures presented in the schedule, the City of Iowa City, Iowa, provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 2,094,105
Home Investment Partnerships Program	14.239	653,228
Public Safety Partnership and Community Policing Grants	16.710	14,229
Edward Byrne Memorial Justice Assistance Grant Program	16.738	25,407
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	53,728
New Freedom Program	20.521	24,004

Part I: Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance
14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii
14.239	Home Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers
JAG Cluster	
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
16.804	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

Part I: Summary of the Independent Auditor's Results: (continued)

Dollar threshold used to distinguish between Type A and Type B programs	\$679,737
Auditee qualified as low-risk auditee	No

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 **Certified Budget** – Disbursements during the year ended June 30, 2012, did not exceed the amount budgeted.
- II-B-12 **Questionable Expenditures** – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-12 **Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Frank Wagner, member of Historic Preservation Commission, owner of Wagner Bros LLC	Construction	\$ 93,279
Matt Neumiller, member of Board of Appeals, owner of Neumiller Electric	Electrical Service	49,882
Steve Ford, Spouse of Wendy Ford, Economic Development Coordinator, Part owner of Confluence	Consulting Services	21,422

The transactions with Wagner Bros LLC and Neumiller Electric do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)d of the Code of Iowa. The transaction with Confluence does not appear to represent a conflict of interest since the related party’s ownership is less than 5% in accordance with Chapter 362.5(9) of the Code of Iowa.

- II-E-12 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-12 **Council Minutes** – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Part II: Other Findings Related to Required Statutory Reporting: (continued)

- II-G-12 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- II-H-12 **Revenue Bonds** – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.